

**A. Notes To The Condensed Consolidated Interim Financial Statements  
For The Three Months Ended 31 December 2016**

**A1. Basis of Preparation**

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The condensed consolidated interim financial statements also comply with International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2016.

The significant accounting policies adopted by the Group in this condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2016 except for the adoption of the following MFRSs and Amendments to MFRSs.

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to MFRSs 2012 – 2014 Cycle)
MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012 – 2014 Cycle)
MFRS 14	Regulatory Deferral Accounts
MFRS 119	Employee Benefits (Annual Improvements to MFRSs 2012 – 2014 Cycle)
MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012 – 2014 Cycle)
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 127	Equity Method in Separate Financial Statements

A1. Basis of Preparation (Cont'd.)

Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

The adoption of the above MFRSs and Amendments to MFRSs did not have any significant impact on the financial statements of the Group.

A2. MFRSs, Amendments to MFRSs and IC Interpretation yet to be effective

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
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Amendments to MFRS 107	Disclosure Initiative
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Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2012 – 2014 Cycle)
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Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (International Financial Reporting Standard (“IFRS”) 9 Financial Instruments issued by IASB in July 2014)
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MFRS 15	Revenue from Contracts with Customers
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Clarifications to MFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract (Amendments to MFRS 4)

A2. MFRSs, Amendments to MFRSs and IC Interpretation yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2018 (Cont'd.)

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 – 2016 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 – 2016 Cycle)
Transfers of Investment Property (Amendments to MFRS 140)	
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
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Effective date to be announced by Malaysian Accounting Standard Board

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretation stated above are not expected to result in significant financial impact to the Group, except as disclosed below:

- MFRS 9: Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139.

The initial application of MFRS 9 in the future may have an impact on the financial statements of the Group. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

A2. MFRSs, Amendments to MFRSs and IC Interpretation yet to be effective (Cont'd.)

- MFRS 15: Revenue from Contracts with Customers

Under MFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when the 'control' of the goods and services underlying the particular performance obligation is transferred to the customers.

The Group is currently assessing the financial impact of adopting MFRS 15.

- MFRS 16: Leases

MFRS 16 replaces the existing standard on leases, MFRS 117.

MFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under MFRS 16, lessees are required to recognise all leases in their balance sheets in the form of an asset (for the right of use) and a lease liability (for the payment obligation). Exception is granted for leases which are for a term of 12 months or less or where the underlying lease assets are of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using another systematic method.

MFRS 16 has substantially retained the lessor accounting model in MFRS 117. A lessor still has to classify leases as either finance or operating leases, depending on whether substantially all of the risks and rewards incidental to ownership of the underlying asset have been transferred to the lessee.

The Group is currently assessing the financial impact of adopting MFRS 16.

A3. Audit Qualification of the Preceding Annual Financial Statements

There was no qualification in the audit report of the preceding annual financial statements of the Group.

A4. Seasonality or Cyclicity of Operations

The businesses of the Group are not subject to seasonal or cyclical fluctuations.

A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows of the Group for the period under review.

A6. Change in Estimates

There were no changes in estimates of amounts reported in prior periods that have a material effect in the period under review.

A7. Issuances, Repurchases, Resale and Repayments of Debts and Equity Securities

(i) Issuance of shares

There was no new issuance of ordinary shares.

(ii) Share buy-back

On 1 March 2016, the shareholders approved the renewal of the Company's plan to purchase its own ordinary shares.

During the period ended 31 December 2016, the Company purchased 231,700 of its issued ordinary shares of RM0.50 each fully paid from the open market at an average price of RM1.30 per share for a total consideration of RM302,106. The purchase was financed by internally generated funds. These shares are held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 245,954,000 issued and fully paid ordinary shares of RM0.50 each as at 31 December 2016, 9,366,800 (RM12,022,095) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid are therefore 236,587,200 ordinary shares of RM0.50 each.

(iii) There were no issuances or repayments of debt securities during the period ended 31 December 2016.

**A8. Segment Information**

Year To Date 31 December 2016	Insurance RM'000	Information Technology RM'000	Investment Holding RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
<b>REVENUE</b>						
External sales	82,036	2,332	318	415	-	85,101
Inter-segment Sales	64	4,179	3,969	6	(8,218)	-
Total segment Revenue	<u>82,100</u>	<u>6,511</u>	<u>4,287</u>	<u>421</u>	<u>(8,218)</u>	<u>85,101</u>
<b>RESULTS</b>						
Segment profit/(loss)	13,366	(801)	9,388	(1,598)	(533)	19,823
Share of losses of associated companies	-	-	-	(135)	-	(135)
Segment profit/(loss) before tax after accounting for :	<u>13,366</u>	<u>(801)</u>	<u>9,388</u>	<u>(1,733)</u>	<u>(533)</u>	<u>19,688</u>
Interest income	-	39	-	16	-	55
Finance cost	(1,394)	(271)	(104)	(1,430)	2,357	(842)
Depreciation	(265)	(135)	(59)	(22)	3	(478)
Amortisation	(30)	(50)	(3)	(1)	16	(68)
Other non-cash items	(216)	(2,144)	(9,193)	25	-	11,528

**A9. Material Events Subsequent to End of Reporting Period**

There were no material events subsequent to the end of the period reported up to 22 February 2017.

A10. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 December 2016 except as disclosed below:

During the quarter, POPL had invested in equity interest in Massive Analytic Ltd (“MA”), a company incorporated and registered in England and Wales, for subscription price totalling GBP322,002 (RM1,770,580). The said investment represents 11.83% of the total equity interest in MA.

The principal activity of MA is business and domestic software development and information technology consultancy activities.

Although the Group holds less than 20% of the voting power in MA, MA is considered to be associated company because of the significant influence the Group is able to exercise over its financial and operating policy decisions.

A11. Changes in Contingent Assets and Contingent Liabilities

The Group does not have any contingent assets since financial year ended 30 September 2016.

Details of the Group’s contingent liabilities are as follow:

	<u>Year To Date</u>	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	RM’000	RM’000
Performance guarantees - secured	<u>197</u>	<u>258</u>

A12. Capital Commitments

There are no capital commitments for the purchase of property, plant and equipment and intangible asset (either approved and contracted for or approved but not contracted for) as at 31 December 2016 and 31 December 2015.

A13. Risk-Based Capital (“RBC”) Framework of the Insurance Subsidiary

As at 31 December 2016, the insurance subsidiary has a capital adequacy ratio in excess of the minimum requirement as stipulated in the RBC Framework.

**B. Additional Notes Pursuant To The Main Market Listing Requirements of Bursa Malaysia For The Three Months Ended 31 December 2016**

**B1. Review of Results**

Current Quarter/Year to Date

Group revenue was RM85,101,000 compared to RM97,071,000 in the corresponding quarter of the last financial year. Profit before tax of RM19,688,000 was reported compared to pre-tax loss of RM1,460,000 in the corresponding quarter of the last financial year.

Insurance segment – Revenue decreased by RM10,805,000 to RM82,036,000 for the current quarter compared to the corresponding quarter of the last financial year. The decrease in revenue was primarily due to lower gross earned premium. Profit before tax of RM16,593,000 was reported as compared to pre-tax profit of RM12,292,000 in the corresponding quarter of the last financial year. This was largely attributable to the increase in investment income arising from the insurance subsidiary company's share of Malaysian Motor Insurance Pool's investment income and a write back of impairment of RM2,291,000 in respect of its investment in Malaysian International Tuna Port Sdn. Bhd. which was previously impaired.

Information technology (IT) segment - Revenue from external parties decreased by RM515,000 to RM2,332,000 for the current quarter compared to the corresponding quarter of the last financial year, principally due to lower consulting services. A lower pre-tax loss of RM2,471,000 was reported for the current quarter as compared to pre-tax loss of RM5,058,000 in the corresponding quarter of the last financial year, largely due to unrealised foreign exchange gain of RM2,014,000 reported in the current quarter as compared to unrealised foreign exchange loss of RM941,000 in the corresponding quarter of the last financial year.

**B2. Comparison With Immediate Preceding Quarter's Results**

Group revenue was RM85,101,000 compared to RM86,388,000 reported in the immediate preceding quarter. Profit before tax of RM19,688,000 was reported compared to pre-tax profit of RM12,870,000 in the immediate preceding quarter.

Insurance segment – Revenue decreased by RM453,000 to RM82,036,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to lower gross earned premium. Profit before tax of RM16,593,000 was reported compared to pre-tax profit of RM22,008,000 in the immediate preceding quarter. This was largely attributable to lower underwriting results arising from the absence of profit commission earned from reinsurance business for the current quarter. Under the terms of the reinsurance arrangement, profit commission is determined and recognised as income in the last quarter of each financial year.

IT segment – Revenue from external parties decreased by RM114,000 to RM2,332,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to lower sales of hardware. However, pre-tax loss of RM2,471,000 was reported for the current quarter as compared to a marginal pre-tax loss of RM2,477,000 reported in the immediate preceding quarter, largely due to unrealised foreign exchange gain reported in the current quarter.



**B3. Current Year Prospects**

The insurance sector continues to be challenging with intense competition amongst the local players. This is further compounded by the weak local consumer sentiment stemming from higher cost of living that has reduced the spending power of consumers. Nevertheless, with the Group's emphasis on profitable business, the Board expects the performance of the insurance segment for the financial year ending 30 September 2017 to be satisfactory.

The IT segment also remains extremely competitive. With the Group's focus on maintaining high quality service to its clients and the relationship established with its long term clients, the IT segment is expected to remain stable in its long term growth.

In spite of the challenges faced by the Group and barring unforeseen circumstances, the Board expects the Group's performance for the financial year ending 30 September 2017 to be satisfactory.

**B4. Profit Forecast and Profit Guarantee**

No forecast has been issued by the Group for the period ended 31 December 2016.

**B5. Taxation**

The taxation figures include the following:

	1st Quarter Ended 31.12.2016 RM'000
Income tax:	
Current year's provision	
- Malaysian tax	2,290
Deferred tax:	
- Transfer from deferred taxation	785
	<u>3,075</u>

The effective rate of taxation of the Group is lower principally due to certain income which are not subject to tax.

**B6. Status of Corporate Proposal**

As at 22 February 2017 there were no corporate proposals.

**B7. Status of utilisation of proceeds**

The divestment of 49% of the Company's equity interest in its insurance subsidiary company, Pacific & Orient Insurance Co. Berhad ("POI") to Sanlam Emerging Markets Proprietary Limited, for a cash consideration of RM270,000,000 was completed on 17 May 2013.

As at 31 December 2016, the Company had utilised the proceeds from the divestment as follows: -

Purpose	Proposed	Actual	Intended	Balance Unutilised		Revised Timeframe for Utilisation
	Utilisation RM'000	Utilisation RM'000	Timreframe for Utilisation	RM'000	%	
Payment of special dividend	37,000	37,013	Within 3 months	(13)	(0.04)	
Repayment of bank borrowings	48,000	48,000	Within 3 months	-	-	
Investments to be identified <sup>(1)</sup>	150,000	142,674	Within 24 months	7,326	4.88	18 months from 16 November 2016
Working capital	28,328	28,328	Within 24 months	-	-	
Defraying expenses incidental to the Divestment	6,672	6,672	Within 3 months	-	-	
	<u>270,000</u>	<u>262,687</u>		<u>7,313</u>		

Note:

(1) The Board is still actively exploring and identifying additional investment opportunities for the Group.

On 11 November 2016, the Board had via its announcement to Bursa Malaysia to further extend the timeframe for the utilisation of the remaining proceeds for another eighteen (18) months period from 16 November 2016 to 16 May 2018.

B8. Group Borrowings\*

	As At 31.12.2016 RM'000
Long term	
a. Secured	2,085
b. Unsecured <sup>(1)</sup>	33,984
Short term	
a. Secured	1,283
b. Unsecured	-
Foreign currency borrowings	-

\* Includes hire purchase creditors of RM3,168,000 of which RM2,085,000 is long term and RM1,083,000 is short term.

(1) Long term unsecured borrowings relate to Sub Notes with nominal value of RM35,000,000 net of discount and transaction costs, issued by the insurance subsidiary company to a third party on 27 June 2012.

B9. Material Litigation

As at 31 December 2016 there was no material litigation against the Group other than those arising in the normal course of the insurance subsidiary's business.

B10. Dividends

	RM'000	Date of payment
In respect of financial year ended 30 September 2016:		
(i) A sixth interim single tier dividend of 1.20 sen per share declared on 5 October 2016	2,842	9 November 2016
In respect of financial year ending 30 September 2017:		
(ii) A first interim single tier dividend of 1.00 sen per share declared on 19 December 2016	2,366	25 January 2017
	<u>5,208</u>	

The total single tier dividend in respect of the current financial year was 1.00 sen per share. (Previous corresponding period: single tier dividend of 5.50 sen per share)

**Pacific & Orient Berhad**  
(Company No: 308366-H)

B11. Earnings/(Loss) Per Share

	Quarter/Year To Date	
	31.12.2016	31.12.2015
Profit/(loss) attributable to the equity holders of the Company (RM'000) (A)	11,653	(6,904)
Weighted average number of ordinary shares in issue (B) ('000)	236,737	239,005
Earnings/(loss) per share:		
Basic (A÷B) (sen)	4.92	(2.89)

There were no dilutive potential ordinary shares as at the end of the reporting period.

B12. Profit For The Period

	Quarter/ Year To Date 31.12.2016 RM'000
Profit for the period is arrived at after charging:	
Interest expense	751
Depreciation of property, plant and equipment	478
Amortisation of:	
- intangible assets	67
- prepaid land lease payments	1
Write back in allowance for impairment:	
- insurance receivables	(59)
Allowance for impairment:	
- insurance receivables	2
Realised foreign exchange loss	3
and after crediting:	
Other operating income:	
Interest income	55
Rental income	1
Unrealised foreign exchange gain (net)	11,343

B12. Profit For The Period (Cont'd.)

There were no (i) write off of inventories, (ii) gain or loss on disposal of quoted and unquoted investments or properties, (iii) impairment of assets, (iv) gain or loss on derivatives and (v) exceptional items for the current quarter and period ended 31 December 2016.

B13. Disclosure of Realised and Unrealised Profits

	As at 31.12.2016 RM'000	As at 30.09.2016 RM'000
Total retained profits of the Group:		
- Realised	221,154	221,291
- Unrealised	32,183	19,973
	<u>253,337</u>	<u>241,264</u>
Share of accumulated losses from an associated company:		
- Realised	(3,067)	(2,932)
Consolidation adjustments	<u>(38,331)</u>	<u>(32,838)</u>
Total retained profits as per statement of financial position of the Group	<u>211,939</u>	<u>205,494</u>

The determination of realised and unrealised profits is based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

BY ORDER OF THE BOARD  
SOO HAN YEE  
YONG KIM FATT  
Company Secretaries  
Kuala Lumpur

22 February 2017