PACIFIC & ORIENT BERHAD

(308366-H)

2016 ANNUAL REPORT

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of the Company will be held at Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 24 February 2017 at 10.30 a.m. for the following purposes:

AGENDA

A. Ordinary Business

1. To receive the Audited Financial Statements for the year ended 30 September 2016 and the Reports of the Directors and the Auditors thereon. **Please refer to Note B**

2. To re-elect Mr. Chan Thye Seng who retires as a Director of the Company pursuant to Article 82 of the Company's Articles of Association. **Resolution 1**

3. To consider and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act 1965:

   (a) "**THAT** Mr. Chan Hua Eng who retires pursuant to Section 129(2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 2**

   (b) "**THAT** Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed who retires pursuant to Section 129(2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 3**

   (c) "**THAT** Mr. Michael Yee Kim Shing who retires pursuant to Section 129(2) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

4. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Board of Directors to fix their remuneration. **Resolution 5**

B. Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions with or without any modification:

5. **Authority to issue shares pursuant to Section 132D of the Companies Act 1965** **Resolution 6**

   "THAT subject to Section 132D of the Companies Act 1965 ("the Act"), the Articles of Association and approvals of regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being.

   AND THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting (Cont'd)

6. **Proposed Renewal of Authority for the Company to Purchase its Own Shares** **Resolution 7**

"**THAT** subject to the Act, Articles of Association, rules, regulations and orders made pursuant to the Act, and the requirements of Bursa Malaysia Securities Berhad ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to:

(i) purchase shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, provided that the aggregate number of shares bought pursuant to this Resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being and the total funds allocated shall not exceed the total retained earnings and share premium of the Company (re: page 2 item 5 of the Share Buy-back Statement dated 25 January 2017) which would otherwise be available for dividends **AND THAT** such authority shall commence immediately upon the passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever occurs first);

(ii) retain the shares so purchased as treasury shares or cancel them or both, with an appropriate announcement to be made to BMSB in respect of the intention of the Directors whether to retain the shares so purchased as treasury shares or cancel them or both together with the rationale of the decision so made;

(iii) deal with the shares purchased in the manner prescribed by the Act, Articles of Association, rules, regulations and orders made pursuant to the Act and the requirements of BMSB and any other relevant authorities for the time being in force; and

(iv) take all such steps as are necessary or expedient to implement or to effect the purchase of the shares."

7. **Retention of Independent Directors**

To retain the following Directors who have served for more than nine years as Independent Directors of the Company:

(i) Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed **Resolution 8**
(ii) Mr. Michael Yee Kim Shing **Resolution 9**

8. To transact any other ordinary business which may be properly transacted at an Annual General Meeting, of which due notice shall have been given.

By Order of the Board

SOO HAN YEE (MAICSA 7008432)
YONG KIM FATT (MIA 27769)
Company Secretaries

25 January 2017
Kuala Lumpur

Notice of Annual General Meeting (Cont'd)

NOTES:

A. Appointment of Proxy

1. Depositors whose names appear in the Record of Depositors as at 20 February 2017 shall be regarded as members of the Company entitled to attend the Annual General Meeting or appoint proxies to attend on their behalf.

2. A member entitled to attend and vote at the meeting is entitled to appoint one (1) proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.

3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.

5. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting.

   (Faxed copy of duly executed form of proxy is not acceptable)

B. Audited Financial Statements

The agenda is meant for discussion only under the provisions of Section 169(1) of the Companies Act 1965. As such, the Audited Financial Statements do not require formal approval of the shareholders and hence, the business will not be put to vote.

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. Resolution 6 – Authority to issue shares pursuant to Section 132D of the Companies Act 1965

This resolution will allow the Company to procure the renewal of the general mandate which will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares in the Company up to and not exceeding in total ten percent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The renewed general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to shares placement, funding future investment, working capital and/or acquisitions.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 22nd Annual General Meeting held on 1 March 2016 and which will lapse at the conclusion of the 23rd Annual General Meeting.

2. Resolution 7 – Proposed Renewal of Authority for the Company to Purchase its Own Shares

This resolution will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated which shall not exceed the total retained earnings and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

For further information, please refer to the Share Buy-back Statement dated 25 January 2017 which is despatched together with the Company's Annual Report 2016.

Notice of Annual General Meeting (Cont'd)

3. Resolutions 8 and 9 – Retention of Independent Directors

The Nominating Committee of the Company has conducted an assessment of independence on the following directors who have served as Independent Directors for a cumulative term of more than nine years and recommended them to continue to act as Independent Directors based on the following justifications:

(i) Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed
(ii) Mr. Michael Yee Kim Shing

Justifications

(a) they have met the definition of independent director as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and are therefore able to give independent opinion to the Board;

(b) being directors for more than nine years have enabled them to contribute positively during deliberations/discussions at meetings as they are familiar with the operations of the Company and possess tremendous insight and knowledge of the Company's operations;

(c) they have contributed sufficient time and exercised due care during their tenure as Independent Directors;

(d) they have discharged their professional duties in good faith and also in the best interest of the Company and shareholders;

(e) they have vigilantly safeguarded the interests of the minority shareholders of the Company;

(f) they have the calibre, qualifications, experiences and personal qualities to challenge management in an effective and constructive manner; and

(g) they have never compromised on their independent judgement.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting, as required under Appendix 8A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, can be found on pages 7 and 8 – Profile of the Board of Directors & Key Senior Management in this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Chan Hua Eng Chairman, Non-Independent Non-Executive Director Mr. Chan Thye Seng Managing Director and Chief Executive Officer Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed Independent Director Mr. Michael Yee Kim Shing Independent Director Dato' Dr. Zaha Rina binti Zahari Independent Director
SECRETARIES	Ms. Soo Han Yee (MAICSA 7008432) Mr. Yong Kim Fatt (MIA 27769)
REGISTRARS	Mega Corporate Services Sdn Bhd Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel No. : 03-26924271 Fax No. : 03-27325388
AUDITORS	Messrs Ernst & Young Chartered Accountants Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Malaysia
PRINCIPAL BANKERS	Malayan Banking Berhad RHB Bank Berhad Hong Leong Bank Berhad
REGISTERED OFFICE	11th Floor, Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Malaysia Tel No. : 03-26985033 Fax No. : 03-26944209 Website : www.pacific-orient.com
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad Main Market

PROFILE OF THE BOARD OF DIRECTORS & KEY SENIOR MANAGEMENT

Board of Directors

Mr. Chan Hua Eng (88), Male, Malaysian
Chairman, Non-Independent Non-Executive Director

Mr. Chan has been on the Board since March 1995. Mr. Chan is the father of Mr. Chan Thye Seng, the Chief Executive Officer and Managing Director. He graduated with a Bachelor of Law (Honours) degree from the University of Bristol in 1952 and was called to the Bar at Middle Temple in 1953. He is an associate member of the Institute of Taxation. Until his retirement in 1987, he was the senior partner of a large legal firm in Kuala Lumpur during the major part of which he was engaged in corporate advisory work.

Mr. Chan Thye Seng (60), Male, Malaysian
Managing Director and Chief Executive Officer

Mr. Chan joined the Board in March 1995. Mr. Chan is the son of Mr. Chan Hua Eng. He had 13 years experience as a practising lawyer, after having been called to the Bar at Middle Temple in 1980 and the Malaysian Bar in 1982. He graduated from University College Cardiff with a Bachelor of Law (Honours) degree. He was previously on the boards of the Kuala Lumpur Commodities Exchange and Malaysian Futures Clearing Corporation Sdn. Bhd.

He is also a non-independent non-executive director of Ancom Bhd. and Pacific & Orient Insurance Co. Bhd.

Mr. Chan is a director and major shareholder of Mah Wing Holdings Sdn. Bhd. as well as director and beneficial owner of Mah Wing Investments Limited, both of which are major shareholders of the Company.

Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed (72), Male, Malaysian
Independent Director, Chairman of the Nominating Committee and the Remuneration Committee, member of the Audit Committee

Tunku Dato' Mu'tamir joined the Board in September 1995. He is an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Chartered Secretaries and Administrators. Tunku Dato' Mu'tamir is also a member of the Dewan Perniagaan Melayu Bandaraya, Kuala Lumpur. Since 1976, he has been the executive director of Syarikat Sri Timang Sdn. Bhd., an investment holding company.

He is an independent chairman of Red Sena Bhd.

Mr. Michael Yee Kim Shing (78), Male, Malaysian
Independent Director, Chairman of the Audit Committee, member of the Nominating Committee and the Remuneration Committee

Mr. Yee joined the Board in February 1995. He received his tertiary education at the University of Melbourne, graduating with a Bachelor of Commerce degree and is a member of the Malaysian Institute of Accountants, the Institute of Chartered Accountants, Australia and the Institute of Certified Public Accountants of Singapore. He was a practising accountant for more than 26 years, retiring as a senior partner in Ernst & Whinney (now known as Ernst & Young).

He is a non-independent non-executive director of Pacific & Orient Insurance Co. Bhd. He also sits on the board and audit committee of Dataprep Holdings Bhd. and Datasonic Group Bhd. as an independent director and chairman of the audit committee of the above companies.

Profile of the Board of Directors & Key Senior Management (Cont'd)

Dato' Dr. Zaha Rina binti Zahari (55), Female, Malaysian
Independent Director, member of the Audit Committee, the Nominating Committee and the Remuneration Committee

Dato' Dr. Zaha Rina joined the Board in May 2012. She received her BA (Hons) Accounting and Finance from Leeds UK, and Doctorate in Business Administration from Hull UK focusing on capital markets research and specialising in derivatives.

She was a consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. She has more than 20 years of experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market, which includes managing a futures broking company, and was the chief executive officer of RHB Securities Sdn. Bhd. from 2004 to 2006. She has previous board appointments at the Commodity and Monetary Exchange of Malaysia from 1993 to 1996, then as the chief operating officer of Kuala Lumpur Options and Financial Futures Exchange in 2001, which merged to become MDEX in June 2001.

She was then appointed head of Exchanges, managing the operations of KLSE, MESDAQ, MDEX and Labuan International Financial Exchanges in September 2003 prior to KLSE's (now known as Bursa Malaysia Securities Berhad) demutualisation. She is also a regular speaker at many international conferences and forums.

She was a director of Zurich Insurance Malaysia Bhd. prior to being appointed chairman of Manulife Holdings Bhd. in December 2013. She sits on the board of Hong Leong Industries Bhd. and Tanah Makmur Bhd. besides holding directorships in several private limited companies. She is also the chairman of the audit committee and risk management committee of Pacific & Orient Insurance Co. Bhd.

She is a vice-president of Persatuan Chopin Malaysia and Divemaster with National Association of Underwater Instructors. She was a member of Global Board of Advisers for XBRL until 2009 and was also on the board of trustee for Malaysian AIDS Foundation until May 2010.

Key Senior Management

En. Abdul Rahman bin Talib (57), Male, Malaysian
Chief Executive Officer of Pacific & Orient Insurance Co. Bhd.

En. Rahman is currently the chief executive officer of Pacific & Orient Insurance Co. Bhd., a subsidiary of the Company, a position he held since 1999. He received his tertiary education at the University of Miami, USA and graduated with a Master in Business Administration. He has considerable experience in the financial industry, having previously held senior positions in treasury and investment at two Malaysian banks.

He has no directorship in public companies and/or listed issuers.

NOTES:

1. The interests of each Director in the shares of the Company are disclosed on page 164 (Shareholdings Statistics).
2. Except for Mr. Chan Hua Eng who is the father of Mr. Chan Thye Seng, there is no family relationship between the Directors/Key Senior Management with any director and/or major shareholder of the Company.
3. Other than traffic offences (if any), none of the Directors/Key Senior Management has been convicted of any offence within the past five (5) years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. None of the Directors/Key Senior Management has any conflict of interest with the Company.

STATEMENT ON CORPORATE GOVERNANCE

Pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a public listed company is required to provide a narrative statement of its corporate governance practices with reference to the Malaysian Code on Corporate Governance 2012 ("Code"), in its annual report, setting out:

- how the company has applied the Principles set out in the Code to its particular circumstances, having regard to the Recommendations stated under each Principle; and
- any Recommendation which the company has not followed, together with the reasons for not following it and the alternatives adopted by the company; if any.

The Board of Directors supports the objectives of the Code and also acknowledges its role in ensuring that shareholders' interests are properly looked after. For this reason, the Board of Directors affirms its policy of adhering to the spirit of the Code.

It should be noted, however, that although the intentions and existing customs of the Board and the Company substantially coincide with the Recommendations contained within the Code, there may be instances where some of the formal structures and mechanisms were not in place during the financial year under review. Where appropriate, those areas where the Recommendations had not been complied with are explained below.

1. BOARD OF DIRECTORS

1.1 Composition and Size of Board

The Board currently comprises one (1) Non-Independent Non-Executive Director, one (1) Executive Director and three (3) Independent Directors. Independent Directors form more than half of the Board, thus fulfilling the requirement under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad that at least one third of the Board members are independent directors. This ensures that minority shareholders' interests are adequately represented.

1.2 Board Balance

All Board appointments are made on merit, first and foremost, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. Nevertheless, the Company recognises the benefits of having a diverse Board, which will make good use of the differences in skills, industry experience, background, race, gender, ethnicity and other distinctions amongst the Directors. These differences will be considered in determining Board balance and composition.

The Board is of the view that it has the right mix of individual qualities to fulfil its role. Taken as a whole, the Board represents many years' experience in financial, business management, legal, insurance and corporate affairs and is therefore suited to the oversight of the Company. The profile of each Director is provided on pages 7 to 8 of this Annual Report.

Although there is a clear division of responsibilities between the Non-Independent Non-Executive Chairman and the Managing Director/Chief Executive Officer to ensure balance of power and authority in the Board, both the Chairman and the Managing Director/Chief Executive Officer are related. To ensure Board balance and minority shareholders' interests are preserved, the Company has ensured that a majority of the Board members are comprised of independent Directors.

The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director/Chief Executive Officer is responsible for the day-to-day running of the business and implementation of the policies and decisions of the Board.

The Independent Directors participate actively on the Board and Board Committees by providing unbiased and independent views, advice and judgment to take into account the interest, of not only the Group but also of shareholders, employees, communities in which the Group conducts business and other stakeholders.

In the opinion of the Board, the appointment of a Senior Independent Director may not be necessary at the moment as all members of the Board fulfil this role equally, individually and collectively and any concerns of shareholders and stakeholders are promptly addressed by the Board.

Statement on Corporate Governance (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.3 Board Roles and Responsibilities

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference, in the form of a Board Charter, to assist in the discharge of the Board's fiduciary and leadership responsibilities in the pursuit of the best interest of the Group.

The Board Charter covers the following key areas, amongst others, roles of the Chairman and Managing Director/Chief Executive Officer; Board composition; Board appointment; size of Board; time period of office; Board retirement age; induction of new Director; Board responsibilities; Board Committees; Board meetings; and conflict of interest. The Board Charter may be viewed on the Company's website at http://www.pacific-orient.com.

The roles and responsibilities of the Board, as clearly set out in a Board Charter, are as follows:

(i) adopting and reviewing a strategic plan for the Company – the Board sets the strategic direction, which forms the basis for management's preparation of the strategic plan that identifies business opportunities and business risks. The Board then oversees the risk management framework for managing business risks and periodically monitor the strategic environment with management;

(ii) overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained – the Board reviews the progress of management in meeting the strategic plan at half-year intervals, as well as the quarterly management reports and accounts;

(iii) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

(iv) succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing key senior management of the Company – the Board views succession planning as important in contributing to the long-term success of the Group. Good succession planning ensures continuous supply of suitable people who are ready to take over when Directors, senior management and other key employees leave the Group in a range of situations; continuity in delivering strategic plans by aligning the Group's human resources and business planning; and demonstrates the Group's commitment to developing careers for employees which will enable the Group to recruit, retain and promote high-performing staff;

(v) developing and implementing an investor relations programme or communications policy for the Company; and

(vi) reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has delegated to Management certain matters in the day-to-day operations of the Company, which include running the Company in line with Board's direction, recommending strategies and policies to the Board supported by background information, keeping the Board educated and informed and seeking the Board's counsel on significant matters.

Whilst the Board has delegated day-to-day responsibility for the management of the Company to the Managing Director/Chief Executive Officer, certain matters are formally reserved for the Board's collective decision. The purpose of this is to ensure that the Board and management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level.

Matters reserved for the Board's decision comprise, amongst others, acquisitions and disposals of assets exceeding RM250,000; related party transaction of a material nature, which is defined as a transaction exceeding RM250,000; strategy setting, implementation and supervisory; Board meetings and agenda setting; monitoring of financial performance; remuneration review; and declaration of dividends.

1. BOARD OF DIRECTORS (CONT'D)

1.4 Appointments to the Board

The Nominating Committee, comprising entirely of Independent Directors, is responsible for identifying and recommending to the Board, suitable nominees for appointment to the Board and Board Committees. Nominees are normally sourced through recommendations by Board members.

In selecting a suitable candidate, the Nominating Committee takes into consideration the candidate's qualification, experience and the candidate's directorship in other companies, having regard to the size of the Board, with a view of determining the impact of the number upon its effectiveness, and the required mix of skill, expertise, experience and diversity required for an effective Board. The final decision on the appointment of a candidate recommended by the Nominating Committee rests with the whole Board.

On appointment of new Directors, the management would facilitate the Directors' induction by providing the Directors with relevant information about the Group.

The same assessment criteria and process used in Board appointments are also used for re-appointment and re-election of Directors.

1.5 Re-election

In accordance with the Articles of Association of the Company, all Directors shall retire from office once at least every three (3) years, but shall be eligible for re-election at the Annual General Meeting. An election of Directors shall take place each year. A Director over seventy (70) years of age is required to submit himself for re-election annually in accordance with Section 129(6) of the Companies Act, 1965.

The re-election of Directors ensures that shareholders have a regular opportunity to reassess the composition of the Board.

1.6 Assessment of Performance

The process of assessing Directors is an ongoing responsibility of the entire Board. During the financial year, the Board had assessed the performance of the Managing Director/Chief Executive Officer based on established criteria, which included compliance with attendance and qualification requirements of the position; ability to provide input relating to business, market outlook and management strategies; ability to keep the Board abreast with operational, business, regulatory, economic and environmental issues confronting the Company; whether sufficient level of importance has been accorded to governance issues to safeguard the integrity of the Company's activities and operations; and improvement in the financial position of the Group.

Based on the assessment performed, the Board was satisfied that the Managing Director/Chief Executive Officer had discharged his duties and responsibilities effectively and is suitably qualified to hold the position.

The Company has also developed assessment criteria for the following:

Board

Appropriateness of Board composition; mix of skills and experience; effectiveness of Board as a team; balance between Independent and Non-Independent Directors; adequacy of information supplied to the Board; effectiveness of Board in setting strategic plan; adequacy of Board in identifying and managing significant risks to the Group; and effectiveness of Board in monitoring operational and financial performance.

Board Committees

Terms of reference; skills and competencies; meeting administration; conduct of meeting; communication to the Board; and areas of focus specific to each Board Committee.

Statement on Corporate Governance (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.6 Assessment of Performance (Cont'd)

Individual Directors

Contribution of the Director in meetings; quality of input provided by the Director; and the Director's understanding of his or her roles and responsibilities (i.e. Director in general, Board Chairman, Independent Director and Executive Director).

Assessment forms have been developed to facilitate the assessment process. Assessment of the Board and Board Committees are performed on a Board review or self-assessment basis whilst assessment of individual Directors is performed on a peer review basis. Each director is provided with the same set of assessment forms for their completion. Upon completion of assessment, the Company Secretary would compile the results for the Nominating Committee's evaluation prior to reporting to the Board for deliberation and approval.

In addition to the above criteria, the principal insurance subsidiary also performs fit and proper assessments of its Directors, Chief Executive Officer and other Key Responsible Persons, which include senior managers and heads of department, prior to initial appointment and annually thereafter. The fit and proper assessment covers the person's probity, personal integrity and reputation; competence and capability; and financial integrity. Any Director, Chief Executive Officer or other Key Responsible Person who fails to meet the fit and proper requirements shall cease to hold office and act in such capacity.

1.7 Directors' Independence and Tenure

The Board takes cognisance of Recommendation 3.2 of the Code that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Although a longer tenure of directorship may be perceived to have an effect on a director's independence, the Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board will take some time and cannot happen overnight in order to maintain stability to the Board. Furthermore, the Company benefits from such directors who have, over time, gained valuable insights into the Group, its market and the industry.

Independent Directors are subject to an independence assessment by the Nominating Committee and the Board during assessment for appointment and on an annual basis. Under the evaluation process, each Independent Director will perform a self-review of his or her independence by completing a declaration form with questions drawn from the requirements imposed by the various authorities. In this respect, the Board had adopted the same criteria used in the definition of "independent directors" prescribed by the Main Market Listing Requirements, including the tenure prescribed by the Code. The declaration form will be submitted to the Nominating Committee for evaluation. The Nominating Committee will evaluate the independence of the Independent Directors based on the criteria approved by the Board and submit its findings to the Board for deliberation.

Each Independent Director has undertaken to notify the Board of any changes to the circumstances or development of any new interest or relationship that would affect their independence as an independent director of the Company.

At the date of this Statement, two (2) out of the three (3) Independent Directors of the Company have served a tenure of nine (9) years and above. The Directors are Mr. Michael Yee Kim Shing and Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed. Each of the Independent Directors has provided an annual declaration of the Director's independence to the Board. The Nominating Committee and the Board have assessed and concluded that both the Independent Directors of the Company had continued to remain independent based on the justifications as set out in the explanatory notes of the notice of Annual General Meeting as shareholders' approval is required to be obtained.

Statement on Corporate Governance (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.8 Fostering Commitment

The Directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the Main Market Listing Requirements, directors are required to comply with the restrictions on the number of directorships in public-listed companies. Each Director is required to notify the Board prior to accepting any new directorships in public-listed companies incorporated in Malaysia. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively.

1.9 Board Meetings

Board meetings for each financial year are scheduled in advance prior to the end of the current financial year and circulated to Directors and Senior Management before the beginning of each financial year. The scheduled Board meetings are held to receive, deliberate and decide on matters reserved for its decision, including the performance of the Group, the business plans and strategies of the Group and the Group's quarterly financial results. Ad-hoc Board meetings are held as and when required. Additional meetings are convened as and when necessary to consider urgent matters that require the Board's expeditious review and consideration.

The Directors have been informed of the expectations of time commitment during their appointments to the Board. This takes the form of the minimum number of Board and Board Committee meetings to be held in a financial year. All Directors are aware of their responsibilities and have devoted sufficient time to discharge their duties and responsibilities and this is evidenced by their full attendance at all Board meetings. The Board is thus satisfied with the level of time commitment by each of the Directors towards fulfilling their roles on the Board and Board Committees. The Board met four (4) times during the financial year ended 30 September 2016. The details of attendance by each of the Directors of the meetings are as follows:

Name of Board member	Designation	Number of meetings attended
Mr. Chan Hua Eng	Chairman, Non-Independent Non-Executive Director	4/4
Mr. Chan Thye Seng	Managing Director/Chief Executive Officer	4/4
Mr. Michael Yee Kim Shing	Independent Director	4/4
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	Independent Director	3/4
Dato' Dr. Zaha Rina binti Zahari	Independent Director	4/4

The proceedings of all meetings, including all issues raised, deliberations, decisions and conclusions made at the Board of Directors' and Board Committees' meetings were recorded in the minutes of the Board of Directors' and Board Committees' meetings respectively.

1.10 Supply of Information

The Board has unrestricted access to timely and accurate information. The Board members are provided with the relevant agenda and Board papers containing management and financial information in advance of each Board meeting for their perusal and consideration and to enable them to obtain further clarification and information on the matters to be deliberated, in order to facilitate informed decision making. A Director who has a direct or deemed interest in the subject matter presented at the Board meeting shall declare his interest and step out of the room when the subject matter is being deliberated to ensure the fairness of the deliberated matter at hand.

Statement on Corporate Governance (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.10 Supply of Information (Cont'd)

The Board is also informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees and the minutes of the Board Committees tabled at the Board meetings. In between Board meetings, the Board is also informed or updated on important issues and/or major developments of matters discussed in the Board meetings by the management and/or the Company Secretary.

Furthermore, the Board is regularly kept updated and apprised of any regulations and guidelines as well as amendments thereto issued by regulators, particularly the effects of such new or amended regulations and guidelines on directors specifically, and the Company and the Group generally.

All Directors have access to Senior Management personnel in the Group and may invite any employees to be in attendance at Board meetings to assist in its deliberations, if and when relevant. The Directors may seek independent professional advice at the Company's expense in furtherance of their duties, should the need ever arise.

1.11 Company Secretaries

The Board is supported by two (2) qualified, experienced and competent Company Secretaries. One of the Company Secretaries is a fellow member of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and has more than twenty-five (25) years working experience in company secretarial services. The Company Secretary has served for two (2) financial institutions regulated by Bank Negara Malaysia prior to joining the Company. The other Joint Company Secretary is a member of the Malaysian Institute of Accountants. Thus, the two personnel have the appropriate qualifications and experience to hold the positions.

The Company Secretaries advise the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors. Additionally, the Company Secretaries organise and attend all Board meetings and ensure meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained at the Registered Office of the Company.

1.12 Directors' Remuneration

The remuneration of Directors reflects the need to attract, motivate and retain directors with the relevant experience, qualifications and expertise required to assist in managing the Company effectively. The reward levels commensurate with the competitive market and business environment in which the Company operates whilst being reflective of the person's experience, level of responsibilities and linked to the corporate performance and consistent with the Company's culture, objective and strategy, in particular.

The remuneration of the Executive Director is decided by the full Board on the recommendation of the Remuneration Committee based on a performance evaluation by the Nominating Committee. The remuneration of the Non-Executive Directors reflects the level of responsibilities undertaken by them. The remuneration is deliberated upon by the full Board before recommendation is made to the shareholders who shall decide by resolution in general meeting. Directors do not participate in decisions regarding their own remuneration packages.

Statement on Corporate Governance (Cont'd)

1. BOARD OF DIRECTORS (CONT'D)

1.12 Directors' Remuneration (Cont'd)

The aggregate remuneration of Directors of the Company and Group for the financial year ended 30 September 2016 are as follows:

Company

	Fees (RM)	Salaries and other emoluments (RM)	Total (RM)
Executive Director	–	2,029,778	2,029,778
Non-Executive Directors	170,000	–	170,000

Group

	Fees (RM)	Salaries and other emoluments (RM)	Total (RM)
Executive Director	–	2,069,778	2,069,778
Non-Executive Directors	322,991	–	322,991

The number of Directors of the Group whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
1-50,000	–	1
50,001-100,000	–	1
100,001 -150,000	–	2
2,050,001- 2,100,000	1	–

The disclosure on Directors' remuneration is made in accordance with item 11, Part A of Appendix 9C of the Main Market Listing Requirements. The Board is of the opinion that the disclosure of Directors' remuneration through 'band disclosure' is sufficient to meet the objectives of the Code.

1.13 Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors. The Directors are mindful of the need for continuous training to keep abreast of new developments and are encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. The Board identifies the training needs of the Board as a whole whilst the individual Directors are given a free hand to identify their own training needs, taking into consideration their memberships on the boards of other companies as well.

All the Directors of the Company have attended and successfully completed the Mandatory Accreditation Programme prescribed under the Main Market Listing Requirements. During the financial year ended 30 September 2016, the Directors had attended training covering a broad range of areas such as corporate governance, investment, insurance and statutory regulations. In addition, the Directors continuously receive briefings and updates on the Group's businesses and operations, risk management activities, corporate governance, finance, developments in the business environment, new regulations and statutory requirements. The Board will continue to evaluate and determine the training needs of its members as a whole to enhance their skills and knowledge.

Statement on Corporate Governance (Cont'd)

2. BOARD COMMITTEES

The Board has established Board Committees to assist the Board in performing its duties and discharging its responsibilities more efficiently and effectively. The Board Committees operate on Terms of Reference approved by the Board and have the authority to examine pertinent issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters lies with the entire Board.

The details of the Board Committees are as follows:

2.1 Nominating Committee

The Nominating Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. The Nominating Committee assesses the effectiveness of the Board as a whole, the committees of the Board and the contribution of each Director, including Non-Executive Directors, as well as the Managing Director/Chief Executive Officer.

The Nominating Committee comprises exclusively Independent Directors. During the financial year under review the Nominating Committee held one (1) meeting, on 26 November 2015. The details of attendance by each of the members at the meeting are as follows:

Name of Committee member	Number of meeting attended
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed (Chairman)	1/1
Mr. Michael Yee Kim Shing	1/1
Dato' Dr. Zaha Rina binti Zahari	1/1

During the meeting, the Nominating Committee has assessed the performance of the Managing Director/ Chief Executive Officer as well as the independence of the three (3) Independent Directors, including the two (2) Independent Directors whose tenure have exceeded a cumulative term of nine (9) years each. The independence assessments were subsequently reviewed and approved by the Board.

2.2 Remuneration Committee

The Remuneration Committee is primarily responsible for determining and recommending to the Board the remuneration packages of the Executive Director of the Company. It is also responsible for reviewing and recommending to the Board, the remuneration of the Non-Executive Directors.

Membership of the Remuneration Committee is the same as that of the Nominating Committee. During the financial year under review the Remuneration Committee held one (1) meeting, on 26 November 2015. The details of attendance by each of the members at the meeting are as follows:

Name of Committee member	Number of meeting attended
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed (Chairman)	1/1
Mr. Michael Yee Kim Shing	1/1
Dato' Dr. Zaha Rina binti Zahari	1/1

The Remuneration Committee had reviewed the remuneration package of the Managing Director/Chief Executive Officer during the meeting prior to recommendation to the Board for approval.

2. BOARD COMMITTEES (CONT'D)

2.3 Audit Committee

The Audit Committee plays an active role in assisting the Board in discharging its governance responsibilities, which include maintaining a sound risk management, internal control and governance system.

The full details of the composition, terms of reference and summary of the activities of the Audit Committee during the year are set out in the Report of the Audit Committee on pages 31 to 35 of this Annual Report.

3. ACCOUNTABILITY AND AUDIT

3.1 Promoting Sustainability and Diversity

The Group is committed to operating in a sustainable manner and seek to contribute positively to the well-being of stakeholders. The Board strongly believes that sustainable development means combining long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance ("ESG"). Efforts undertaken to recycle paper waste and printing double-sided wherever possible to reduce paper wastage, donations to the poor and the needy, waiver of all loadings on private car insurance purchased by disabled persons and waiver of all riders and loadings for motorcycle insurance purchased by such persons are some of the initiatives undertaken by the Group.

The Group recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the Group into the future. The Group is committed to leveraging the diverse backgrounds in terms of gender, ethnicity, age, experiences and perspectives of our workforce to provide good customer service to an equally diverse customer base. The Group's commitment to recognising the importance of diversity extends to all areas of our business including recruitment, skills enhancement, appointment to roles, retention of employees, succession planning and training and development.

3.2 Code of Ethics

The Board has adopted a Code of Ethics for Directors which outlines the standards of ethical behavior which the Directors should possess in discharging their duties and responsibilities. The Code was formulated based on four (4) principles, i.e. compliance with legal and regulatory requirements, observance of the Board Charter, no conflict of interest, and duty to act in the best interest of the Company at all times. The Code's aim is to enhance the standard of corporate governance and behavior by establishing a standard of ethical behavior for Directors as well as upholding the spirit of responsibility and social responsibility in line with legislation, regulations and guidelines.

The principal insurance subsidiary has also adopted a Guidelines on the Code of Conduct for the General Insurance Industry for guidance of its employees. In addition, expectations of employee conduct to maintain high moral and ethical standards are included in the Group Employee Handbook and embedded in the policies, procedures, and practices of the Company.

3.3 Conflict of Interest Situations

The Board is alert to the possibility of potential conflict of interest situations involving the Directors and the Company and affirms its commitment to ensuring that such situations of conflict are avoided. The Board Charter requires Board members to inform the Board of conflict or potential conflict of interest they have in relation to particular items of business; disclose their direct or indirect shareholdings in the Company, other directorships and any potential conflict of interest; and abstain from deliberation/discussion or decisions on matters in which they have a conflicting interest. In addition, the Code of Ethics for Directors further requires the members of the Board to disclose immediately all contractual interests whether they be directly or indirectly with the Company.

Statement on Corporate Governance (Cont'd)

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.4 Whistleblowing Policy

A formal Whistleblowing Policy has been established at the insurance subsidiary to assist in ensuring that its business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose any malpractice or misconduct which they become aware of and to provide protection to employees or external parties who report allegations of such malpractice or misconduct.

Any whistleblowing employee is protected against adverse employment actions (discharge, demotion, suspension, harassment, or other forms of discrimination) for raising allegations of malpractice or misconduct. Employees who participate or assist in an investigation will also be protected. Every effort will be made to protect the anonymity of the whistleblower.

An employee who reasonably believes that inappropriate practices or conduct are occurring should raise the issue with his or her Head of Department or to a Designated Executive which is either the Chief Operating Officer or the Chief Audit Executive, who would be responsible to initiate the enquiry. If the employee believes that there are inappropriate practices or conduct involving the Chief Executive Officer, he or she should report such matter to the Board directly. The Chief Executive Officer will report to the Board all incidences of whistleblowing reported to the Designated Executive.

Once the claim of malpractice or misconduct is made, the Designated Executive will respond to the whistleblower within ten (10) working days, setting out the intended investigation plan. Once the investigation is completed, the Designated Executive will inform the whistleblower of the results of the investigation as well as any corrective steps that are being taken.

If allegations made by the whistleblower turn out to be false, an investigation would be carried out thoroughly to explore the validity of the accusation. Both the accused and the whistleblower must co-operate with the investigation regardless of what may occur.

The insurance subsidiary did not receive any allegations or complaints from whistleblowers during the financial year.

3.5 Financial Reporting

In presenting the annual financial statements and quarterly financial results announcements to shareholders, relevant authorities and other stakeholders, the Board is committed to provide a balanced, fair and comprehensive assessment of the Company's and the Group's position and prospects and ensures that the financial results are released to Bursa Malaysia Securities Berhad within the stipulated time frame and that the financial statements comply with regulatory reporting requirements. The Audit Committee assists the Board in reviewing all the information disclosed to ensure its adequacy, accuracy and integrity, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events, corrected material misstatements related to the year-end accounts, and compliance with accounting standards and other legal requirements, prior to recommendation to the Board for approval. The ultimate objective of such review is to ensure that the External Auditors express an unqualified opinion on the financial statements of the Company and the Group.

The Directors are of the opinion that the Group uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, and which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors' Responsibility Statement in respect of the Annual Audited Financial Statements is set out on page 44 of this Annual Report.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.6 Internal Control

The Board maintains a sound system of internal control, covering not only financial controls but also operational and compliance controls. The system of internal controls is designed to provide reasonable assurance of effectiveness and efficiency of operations and programs, reliability and integrity of financial and operational information, safeguarding of assets and compliance with laws, regulations, policies, procedures and contracts. Nevertheless, the system of internal control, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

3.7 Risk Management

A formal Risk Management Framework has been established at the insurance subsidiary to assist in the identification, evaluation and management of risks. A Risk Management Committee has been set up, which meets regularly to oversee the development of risk management policies and procedures, monitor and evaluate the numerous risks that may arise from the business activities. A Risk Management Department has also been established to assist the Risk Management Committee to discharge its duties.

The Statement on Risk Management and Internal Control, which provides an overview of the risk management and state of internal control within the Group, is set out on pages 22 to 29 of this Annual Report.

3.8 Internal Audit

The internal audit function of the Group is performed in-house by the Group Internal Audit Department, which is independent of the activities it audits and is performed with impartiality, proficiency and due professional care. It undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices based on Audit Planning Memorandums approved by the respective Audit Committees. The Group Internal Audit Department reports directly to the Audit Committees.

3.9 Compliance

A Compliance Department was established by the insurance subsidiary during the financial year under review. Its main responsibilities include providing regulatory and compliance advice to the company and its business units on an ongoing basis, assisting management in the development of policies, procedures and guidelines to facilitate compliance with applicable laws and regulations, proactively reviewing business activities to identify potential regulatory, compliance and reputational risks and designing ways to minimize such risks and promoting a culture of compliance in the company.

3.10 Relationship with External Auditors

The Audit Committee's terms of reference formalises the relationship with the External Auditors. In the course of the audit of the Group's financial statements, the External Auditors have highlighted to the Audit Committee and the Board, matters that require the Board's attention. It is the policy of the Audit Committee to meet with the External Auditors at least twice a year to discuss their audit plan, audit findings and the Company's annual financial statements. The Audit Committee also meets with the External Auditors without the presence of the Executive Director and the management whenever it has been deemed necessary. In the financial year ended 30 September 2016, the Audit Committee had met with the External Auditors twice without the presence of the Executive Director and management. In addition, the External Auditors are invited to attend the Annual General Meeting of the Company and are available to answer shareholders' questions on the conduct of the audit and the preparation and content of the audit report.

Statement on Corporate Governance (Cont'd)

3. ACCOUNTABILITY AND AUDIT (CONT'D)

3.10 Relationship with External Auditors (Cont'd)

The Audit Committee has assessed and reviewed the suitability and independence of the External Auditors and recommended their re-appointment for the financial year ending 30 September 2017. The Audit Committee's assessment had included a review of the curriculum vitae of the audit team as well as completed its own assessment, which covered the following considerations – minimum qualifying criteria for External Auditors, the scope of audit and auditors' performance, their independence and objectivity, audit fees, their insurance audit experience, as well as the nature, scope and fee of non-audit services. The Audit Committee had also received feedback from management on the professional working relationship with the External Auditors. The External Auditors had provided a confirmation of their independence to the Audit Committee that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

3.11 Corporate Disclosure Policy

The Company is committed to provide accurate, clear, timely and complete disclosure of material information pertaining to the Company's performance and operations to the shareholders, stakeholders, analysts, journalists, the investing public or other persons in conformity with any and all applicable legal and regulatory requirements and ensuring equal access to such information to avoid an individual or selective disclosure.

In this respect, the Board, management, officers and employees are guided by the Corporate Disclosure Policy of the Company. The policy outlines the Company's approach towards the determination and dissemination of material information especially price-sensitive information, the circumstances under which the confidentiality of the information will be maintained, and restrictions on insider trading. It also sets out the internal procedural guidelines to facilitate implementation and consistent disclosure practices across the Group.

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT

4.1 Dialogue between the Company and Investors

The Board acknowledges the value of good investor relations and the importance of disseminating information in a fair and equitable manner. The participation of shareholders, both individual and institutional, at general meetings is encouraged whilst request for briefings from the press and investment analysts are usually met as a matter of course and when they are conveyed to the Company. Dissemination of information during the briefings is confined to permissible disclosure within the listing requirements that will further enhance the understanding of the Group's operations and activities.

In addition, the Company maintains a corporate website at http://www.pacific-orient.com with links to announcements of results and annual reports, through which the investors and shareholders can have an overview of the Group's financial information, products information and corporate information.

4.2 Annual General Meeting

The Company's Annual General Meeting is the principal forum for dialogue with shareholders and provides an opportunity for the shareholders to seek and clarify any issues, and to have a better understanding of the Group's performance and operation. Shareholders are encouraged to raise any issues and communicate with the Board at the Annual General Meeting and to vote on all resolutions.

Senior management and External Auditors are also available to respond to any queries from shareholders at the Annual General Meeting.

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT (CONT'D)

4.2 Annual General Meeting (Cont'd)

The Board notes the recommendation of the Code to serve notices for meetings earlier than the minimum notice period. As in past years, the Board serves the notice for Annual General Meeting of more than twenty one (21) days prior to the meeting.

The rights of shareholders, including the right to demand for a poll, are found in the Articles of Association of the Company. In line with the Main Market Listing Requirements, voting by way of a poll is for all resolutions tabled at the Annual General Meeting. The Company has taken the requisite steps to adopt a poll voting process at the forthcoming Annual General Meeting.

During the Annual General Meeting, the Chairman encourages shareholders participation during deliberations and voting on resolutions.

This statement is made in accordance with a resolution of the Board of Directors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires the Board of Directors to include in the Company's Annual Report a statement about the state of risk management and internal control of the Company as a Group. This statement has been prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Issuers" issued by an industry-led task force in December 2012.

BOARD RESPONSIBILITY

The Board of Directors has overall responsibility for maintaining a sound system of risk management and internal control that is able to ensure the reliability and integrity of the financial and operational information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts. With this in mind, the Board is fully committed to ensure the adequacy and effectiveness of the system of risk management and internal control within Pacific & Orient Berhad and its subsidiaries (collectively known as "the Group").

However, the systems in place are designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses.

The Board has established an ongoing process, particularly in the principal insurance subsidiary, to identify, evaluate and manage the significant risks faced in achieving its strategic plan. Such process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report.

MAIN FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Group has defined internal control as "Any action taken by management, the Board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved."

Similarly, the Group has also defined risk management as "A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the Group's objectives."

The persons within the POB Group that have particular roles in risk management and internal control are:

(i) Boards of Directors

The respective companies' Board of Directors is responsible for the risk management and internal control within each subsidiary, whilst the holding company's Board has responsibility for the Group's overall approach to risk management and internal control. Its responsibilities include ensuring the design and implementation of appropriate risk management and internal control systems that identify the risks facing the Group and enable the Board to make a robust assessment of the principal risks; determining the risk appetite of the Group; agreeing how the principal risks should be managed to reduce the likelihood of their incidence or their impact; and monitoring the risk management and internal control system to satisfy itself that they are functioning effectively and that corrective action is being taken, where necessary.

(ii) Risk Management Committee

A Risk Management Committee was established by the principal insurance subsidiary with its terms of reference to oversee the risk management activities of the subsidiary and ensure effective implementation of the objectives and procedures outlined in the Risk Management Framework. Significant risks are brought to the attention of the Risk Management Committee/Board. The Committee also oversees the effective communication and implementation of the Company's risk appetite/tolerance and other related issues.

MAIN FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

(iii) Audit Committee

The Audit Committee was established to assist the Board and Directors to discharge their duties regarding reported financial information, internal controls and corporate codes of conduct. Significant issues are brought to the Board's attention. The Committee also oversees the independence and resources of the internal audit function besides ensuring that the scope of work is adequate and that the audit has been carried out objectively and effectively by a competent team.

(iv) Risk Management Department

A Risk Management Department was established in the principal insurance subsidiary to assist the Risk Management Committee in ensuring effective implementation and maintenance of the Risk Management Framework. The Risk Management Department also acts as the central contact and guide for enterprise risk management issues within the subsidiary, and coordinate the routine risk management reporting among the various business units.

(v) Risk Owners

Risk owners normally comprise heads of business units. They perform the operational risk assessment, management, monitoring and reporting risk exposures in the areas/activities within their control to the Risk Management Department.

(vi) Group Internal Audit Department

The Group Internal Audit Department, which reports to the Audit Committees, conducts operational, financial, compliance and management information system control audits on companies within the Group in accordance with Audit Planning Memorandums approved by the Audit Committees. The Internal Audit function adopts a risk-based approach and employs systematic audit methodology to provide an objective and independent audit assessment of the adequacy and effectiveness of the risk management and internal control system and appropriateness and effectiveness of the corporate governance practices of the Group. In carrying out its duties, the Group Internal Audit Department evaluates the Group's risk exposures and controls relating to reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations and contracts. Internal audit recommendations to mitigate associated risks would be provided for each internal control issue highlighted and follow-up audit would be carried out to ensure that the auditee has implemented the recommendations within the agreed timeline.

(vii) Compliance Department

A Compliance Department was established by the principal insurance subsidiary during the financial year under review. Its main responsibilities include providing regulatory and compliance advice to the company and its business units on an ongoing basis, assisting management in the development of policies, procedures and guidelines to facilitate compliance with applicable laws and regulations, proactively reviewing business activities to identify potential regulatory, compliance and reputational risks and designing ways to minimize such risks and promoting a culture of compliance in the company.

The Compliance Department, Risk Management Department and Group Internal Audit Department had collaboratively prepared the Internal Audit, Risk Management and Compliance Matrix, which laid down clearly the roles and responsibilities of each of the control functions to ensure that there are no areas that are left unexamined although some duplication of work is expected. The matrix allows sharing of information arising from the work performed by each of the control functions, where necessary, whilst maintaining each other's independence.

Statement on Risk Management and Internal Control (Cont'd)

MAIN FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

The main features of the internal control system within the Group can be categorised into the following components:

(I) Control Environment

(a) Board Independence

The Board had met the majority of Independent Directors requirement. As at 30 September 2016, three (3) out of the five (5) Directors on the Board are Independent Directors. In addition, the Directors do not have material relationship with the Company and, except for Director fees and share ownership, do not financially benefit from his or her relationship with the Company. Absence of material relationship ensures that there is no interference with each Director's ability to exercise independent judgment or inhibit his or her ability to make difficult decisions about management and the business.

(b) Structures, Reporting Lines and Appropriate Authorities and Responsibilities

A formal organisation structure for each company in the Group has been established with clearly defined reporting lines of authority, responsibility and accountability. Management authority limits are also imposed on Executive Directors and management within the Group in respect of the day-to-day operations to ensure proper accountability and segregation of duties.

(c) Code of Ethics

The Board has adopted a Code of Ethics for Directors which outlines the standards of ethical behavior which the Directors should possess in discharging their duties and responsibilities. The Code was formulated based on four (4) principles, i.e. compliance with legal and regulatory requirements, observance of the Board Charter, no conflict of interest, and duty to act in the best interest of the Company at all times.

The principal insurance subsidiary has also adopted a Guidelines on the Code of Conduct for the General Insurance Industry for guidance of its employees. In addition, expectations of employee conduct to maintain high moral and ethical standards are included in the Group Employee Handbook and embedded in the policies, procedures, and practices of the Company.

(d) Managing Conflict of Interest Situations

The Board is alert to the possibility of potential conflict of interest situations involving the Directors and the Company and affirms its commitment to ensuring that such situations of conflict are avoided. The Board Charter requires Board members to inform the Board of conflict or potential conflict of interest they have in relation to particular items of business; disclose their direct or indirect shareholdings in the Company, other directorships and any potential conflict of interest; abstain from deliberation/discussion or decisions on matters in which they have a conflicting interest; and leave the meeting room when the decision is be deliberated.

(e) Whistleblowing Policy

A formal Whistleblowing Policy has been established at the principal insurance subsidiary to assist in ensuring that its business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose any malpractice or misconduct which they become aware of and to provide protection to employees or external parties who report allegations of such malpractice or misconduct.

(f) Regulatory Compliance Framework

A proactive, integrated regulatory compliance monitoring and control process has been implemented, which lays the foundation for a stronger compliance environment. This will provide the assurance to the company that its products and services offered are in a manner consistent with regulatory requirements and the company's corporate responsibilities. The Regulatory Compliance Framework sets out the ground rules for the compliance and monitoring process. It further provides the Compliance Department with a mechanism to assist the department in its role of compliance oversight.

MAIN FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

(II) Risk Assessment

Operating management of each business unit bears responsibility for the identification and mitigation of major business risks and each maintains controls and procedures appropriate to its own business environment. These include, inter alia, establishment of a formal Risk Management Framework by the principal insurance subsidiary, which outlines the principles, philosophy/policy, roles and responsibilities, structure as well as the process for identifying, evaluating, reporting and managing risks. The Framework, which was prepared based on The Joint Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines, provides the Board and the management of the subsidiary with a tool to anticipate and manage both existing and potential risks.

The Risk Management Framework is continuously reinforced through face-to-face discussions with risk owners, as well as posting of the Risk Management Framework in an easy-to-understand format and with pictorials on noticeboards.

The main features of the risk management process within the Group are:

(a) Context Settings

Management has established context settings, which involved, amongst others, understanding the external environment which the company operates as well as its goals and objectives; identifying the company's strengths, weaknesses, opportunities and threats; and setting the risk criteria, i.e. risk impact, management control ratings, residual risk ratings and risk priorities, against which risk is to be evaluated.

(b) Risk Identification

Risk management is generally carried out at two (2) levels. Strategic risk assessment, which involves identification and evaluation of risks that threaten the achievement of the company's strategic objectives, is carried out at the senior management level. Operational risk assessment, on the other hand, involves a critical examination of each business unit's process by heads of business units to identify and evaluate operational risks where they occur.

The company has an ongoing process for identifying, evaluating and managing significant risks. The Risk Management Framework requires the company and all its business units to perform risk review at least annually with a view towards, identifying any new risks which may have an impact on the objectives of the company or its business units. In this respect, management has implemented a systematic process to identify risks, which considers both internal and external factors that have an impact on the achievement of objectives.

(c) Risk Analysis

Upon identification of a risk, the risk owner would conduct analysis to evaluate the risk impact and likelihood of occurrence of the risk in the context of existing control measures, in order to arrive at residual risk. The effectiveness of existing control measures is determined using a Control Effectiveness Rating Table. The residual risk is thereafter determined based on its consequence/impact to the risk area if the risk were to occur and the likelihood of the residual risk occurring or materialising. A Table of Consequence and Table of Likelihood have been developed to measure the consequence and likelihood respectively. The residual risk is then rated using a Likelihood and Consequence Matrix adopted from the Australian and New Zealand Risk Management Standard AS/NZ 4360:2004.

Statement on Risk Management and Internal Control (Cont'd)

MAIN FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

(II) Risk Assessment (Cont'd)

(d) Risk Evaluation

Risk evaluation involves comparing the level of risk found during the analysis process with established risk criteria/priorities. Risks which result in injury or fatality, reduction in service level, damage to image or credibility, damage to company's assets and failure to meet legal obligations and regulatory compliance are given priority of attention over all other risks. Similarly, risks which are rated high or significant are given priority and evaluated whether the risks fall within the control of the company. Those risks which fall outside the company's control would be closely monitored as nothing else could be done, whilst risk treatment would be taken on those risks that fall within the company's control.

(e) Risk Treatment

Risk treatment plans are developed by management for those risks assessed as high or significant to the company. The range of options are either to terminate the risk by ceasing to undertake the business activity altogether, reduce the risk by taking steps or implementing controls to minimise its impact and/or likelihood of occurrence, accept the risk without further action, or pass on the risk by transferring the risk to another party by outsourcing the activity or purchasing insurance.

(f) Monitor and Review

All risks are documented in risk registers, which are used by the company as an effective tool to record, monitor and report risks. Annually, each head of business unit would perform a risk review to ascertain whether the risks already identified as well as the ratings are still applicable and whether risk registers need to be raised to document any newly identified risks. Once the risk review has been performed, the heads of business units would submit the individual risk registers to the Risk Management Department, which would challenge the heads of business unit, if necessary. Once satisfied, the Risk Management Department prepares Risk Review Reports for presentation to the Risk Management Committee quarterly.

(g) Communication and Consultation

Communication and consultation is carried out at each stage of the risk management process with all relevant parties. Strong communication and consultation allows buy-in from senior management and ownership of risks.

(III) Control Activities

(a) Selection and Development of Control Activities to Mitigate Risks

Once the risks which threaten the achievement of the company's objectives are identified and assessed, management and the Board of the subsidiary would establish control activities that would eliminate these risks or reduce their occurrences to an acceptable level. Such control activities include authorisations and approvals, verifications, physical controls, controls over standing data, reconciliations and supervisory controls.

(b) Policies and Procedures

The control activities are built into business processes and employees' daily activities through the establishment of policies and procedures for each core business process throughout the Group. The procedures, which lay down each step of the process, ensures that control activities are performed in a timely manner as one moves along the process. The policies and procedures are regularly reviewed and updated in line with changes in business environment, statutory and regulatory requirements to ensure their relevance and effectiveness.

Statement on Risk Management and Internal Control (Cont'd)

MAIN FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

(IV) Information and Communication

(a) Generation of Relevant, Quality Information to Support Functioning of Internal Control

Management identifies and defines information requirements which are relevant and specific to support the functioning of internal control and risk management process. Such identification is an ongoing process, refined over the years, with regular feedbacks from users of such information, or as and when there is any new information requirement.

(b) Communication of Information to Support Functioning of Internal Control

To assist the Board in its risk management and internal control responsibilities, the Board receives periodic reports from the Chief Executive Officer on the scope and performance of the risk management and internal control system. In addition, the Audit Committee also receives internal audit reports from the Group Internal Audit Department, which is independent of management.

There is also effective processes for communication and exchange of relevant information with external parties, such as suppliers, service providers, insureds, agents, shareholders and regulators. Such communication allows external parties to know and understand the Group's expectations with regard to the ethical conduct and internal controls.

(V) Monitoring Activities

(a) Ongoing and Separate Evaluations to Ascertain Presence and Functioning of Internal Control

Management had included in its monitoring activities a balance of ongoing and separate evaluations to ascertain whether internal control and the risk management process is present and functioning. Ongoing evaluations, which are routinely performed, include monitoring of system performance, bank reconciliations, review of management accounts, etc. Separate evaluations, which are performed periodically, include internal reviews by the Group Internal Audit Department and independent managers/executives and external reviews by regulators.

(b) Evaluation and Communication of Internal Control Deficiencies in a Timely Manner

Management and the Board, as appropriate, assess results of ongoing and separate evaluations. Any significant internal control deficiencies or opportunities to improve the efficiency of internal control noted are communicated to personnel responsible for taking corrective action and to senior management and the Audit Committee or Board, as appropriate.

Statement on Risk Management and Internal Control (Cont'd)

REVIEW FOR THE FINANCIAL YEAR

A review of the adequacy and effectiveness of the risk management process and internal control system was undertaken by the principal insurance subsidiary for the financial year under review. Each business unit, comprising Sections, Departments, Branches and Business Centres had performed the following:

- Critically reviewed the operational risk profiles, identified new and emerging risks, assessed the continued applicability of the risks already identified and re-rated those risks, where necessary.
- Evaluated the adequacy and effectiveness of the internal controls in managing the risks identified, and established risk treatment plans for significant risks.
- Reviewed progress of implementation of previously outlined risk treatment plans and evaluated their effectiveness.

The Risk Management Department had reviewed the risk registers submitted by the business units and challenged the business units at each point of the risk management process to ensure its robustness. Senior management too had performed a strategic risk review in conjunction with the establishment of the annual strategic plan of the subsidiary. All the risks identified were documented in risk review reports by the Risk Management Department and presented for review by the Risk Management Committee and the Board of the principal insurance subsidiary. Altogether 6 risk review reports were issued, three (3) of which were in respect of operational risks, two (2) reports were in respect of the strategic risks of the company, whilst the remaining report was in respect of project risk assessment.

Based on the review of the risk management system, the Risk Management Department had concluded that the risk management process was generally adequate and effective, vis-à-vis the following:

- management has reviewed the context settings established and confirmed their continued applicability;
- management has implemented a systematic process of risk identification, which resulted in all known operational risks which have an impact on the company being identified by the risk owners;
- management has implemented a systematic process of risk analysis, which involved application of the Table of Consequence and Table of Likelihood when measuring the impact and likelihood of the residual risk occurring and utilisation of the Likelihood and Consequence Matrix to rate the risk;
- risks identified and assessed were properly evaluated based on established risk criteria/priorities adopted by the Company;
- risk treatment plans have been developed by management for risks assessed as high or significant;
- management has closely monitored and reviewed the operational risks, effectiveness of risk treatment plan to mitigate risks for those rated high and significant, as well as effectiveness of control measures, to ensure changing circumstances do not alter risk priorities; and
- adequate communication and consultation were held between management and the Risk Management Department to ensure that all known risks have been identified, assessed and adequately mitigated, where necessary.

Although lapses and improvement opportunities were observed in the risk management process, these were not considered significant and were brought to management's attention for corrective action to be taken on a timely basis.

Additionally, the Board of the principal insurance subsidiary had also received periodic reports from the Chief Executive Officer on the scope and performance of the risk management and internal control system. The periodic reports from the Chief Executive Officer were prepared based on an assessment process derived from a system of direct and indirect assessment of the risk management and internal control system implemented in the subsidiary. For the current financial year under review, the Chief Executive Officer has intimated that the subsidiary's risk management and internal control system was adequate and effective in addressing the identified risks of the subsidiary. Although minor lapses were noted, these did not have a significant impact on the subsidiary. Such reporting provides the basis for the assurance provided by the Managing Director/Chief Executive Officer to the Company's Board, which was that the risk management and internal control system was adequate and effective.

Statement on Risk Management and Internal Control (Cont'd)

REVIEW FOR THE FINANCIAL YEAR (CONT'D)

The Group Internal Audit Department had included in its approved Audit Planning Memorandum a review of the adequacy and effectiveness of the risk management process during its regular review of the adequacy and effectiveness of the internal control of the business units. The audit findings as well as audit opinion on adequacy and effectiveness of risk management and internal control system had provided independent assurance to the respective Audit Committees and the Boards with regard to the system of risk management and internal control established by management. During the year, the Group Internal Audit Department had provided its independent assurance that the risk management and internal control system in respect of the auditable areas covered, were adequate and effective. Although shortcomings or lapses were noted, these did not have a significant impact to the Group. The Group Internal Audit Department had followed up on remedial actions agreed to be taken by management to ensure that the matters were satisfactorily addressed.

For the principal insurance subsidiary, the company is also subject to annual examination by Bank Negara Malaysia. Any supervisory issues, including control-related matters would be highlighted in a Supervisory Letter. Most of the control-related matters were not considered significant and these were progressively being addressed by management and follow-up by the Group Internal Audit Department, if necessary.

As part of the External Auditors audit, the External Auditors had considered the Group's internal control over financial reporting, solely for the purpose of planning their audit and determining the nature, timing and extent of their audit procedures. Nevertheless, this consideration is not sufficient to enable the External Auditors to express an opinion on the effectiveness of internal control or to identify all significant deficiencies. Be that as it may, certain control-related matters were noted by the External Auditors, although not considered material, were reported in its Report to the Audit Committee. Management has either taken action or given a commitment to address the issues highlighted.

CONCLUSION

Based on the risk management and internal control system established and maintained by the Group, work performed by the Group Internal Audit Department, annual examination by Bank Negara Malaysia on the principal insurance subsidiary, reviews performed by management and various Board Committees, as well as the External Auditor's consideration of the Group's internal control over financial reporting for the purpose of audit planning, the Board is of the view that the state of the Group's risk management and internal control system is generally adequate and effective in mitigating risks to achieve its business objective. Continuous review of its risk management and internal control system would be carried out in line with the changes in the business and relevant laws and regulations to ensure its effectiveness in safeguarding shareholders' investment and the Group's assets. The Board has also received assurance from the Managing Director/Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system established by the Group.

This statement is made in accordance with a resolution of the Board of Directors.

Review of the Statement by External Auditors

The External Auditors have reviewed the Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), issued by the Malaysian Institute of Accountants, for inclusion in the Annual Report of the Company for the financial year ended 30 September 2016 and have reported to the Board that nothing has come to their attention that causes them to believe, on the basis of the procedures performed and evidence obtained, that the Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the "Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Issuers" to be set out, nor is factually inaccurate.

ADDITIONAL COMPLIANCE STATEMENT

During the financial year under review:

a. There were no

- warrants or convertible securities exercised.
- American Depository Receipt or Global Depository Receipt programmes sponsored by the Company.
- sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by any relevant authority.
- profit estimates, forecasts or projections or unaudited results released which differ by 10 percent or more from the audited results.
- profit guarantees given in respect of the Company.
- material contracts between the Company and its subsidiaries that involve directors' or major shareholders' interests.
- loans between the Company and its subsidiaries that involve directors' or major shareholders' interests.

b. The Group has a policy on revaluing its investment properties once every three years.

c. Non-audit fees paid to the External Auditors during the financial year for the Company and its subsidiaries amounted to RM5,560.00 and RM170,100.00 respectively.

REPORT OF THE AUDIT COMMITTEE

MEMBERS OF THE AUDIT COMMITTEE

The Company has fulfilled the requirements of paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the best recommended practices of the Malaysian Code on Corporate Governance 2012 with regard to the composition of the Audit Committee. The members of the Committee during the financial year were as follows:

1. Mr. Michael Yee Kim Shing
   Chairman (Independent Director)

2. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed
   (Independent Director)

3. Dato' Dr. Zaha Rina binti Zahari
   (Independent Director)

AUDIT COMMITTEE CHARTER

In performing its duties and discharging its responsibilities, the Audit Committee is guided by an Audit Committee Charter. The Audit Committee Charter is accessible to the public on the Company's corporate website at http://www.pacific-orient.com.

ATTENDANCE AT MEETINGS

A total of four (4) Audit Committee meetings were held during the financial year ended 30 September 2016. The details of attendance of each of the member at the Committee meetings held during the year are as follows:

Name of Committee Member	Number of meetings attended
1. Mr. Michael Yee Kim Shing	4/4
2. Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	3/4
3. Dato' Dr. Zaha Rina binti Zahari	4/4

The Head and Assistant Manager of the Group Internal Audit Department and Company Secretary were in attendance at all the meetings. The Head of Finance Department was present by invitation at all the meetings whilst the Senior Accounts Manager and representatives of the External Auditors, Messrs Ernst & Young, were present during deliberations which require their input and advice. In addition, the Audit Committee had met twice with the External Auditors without the presence of management, to discuss problems and reservations arising from the audit, or any other matters the External Auditors may wish to discuss.

ACTIVITIES OF THE COMMITTEE

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 30 September 2016 included the following:

Financial Reporting

(a) Reviewed the unaudited quarterly financial reports for the first three (3) quarters and the audited fourth quarter financial report (inclusive of cumulative year-to-date figures) for announcement to Bursa Malaysia Securities Berhad with management before recommendation to the Board of Directors for consideration and approval for their release to Bursa Malaysia Securities Berhad. When reviewing the report, the Audit Committee had obtained reasonable assurance that the condensed consolidated interim financial statements were prepared in accordance with Malaysian Financial Reporting Standards 134: Interim Financial Reporting, paragraph 9.22 of the Bursa Malaysia Listing Requirements and International Accounting Standards 34: Interim Financial Reporting issued by the International Accounting Standards Board.

Report of the Audit Committee (Cont'd)

ACTIVITIES OF THE COMMITTEE (CONT'D)

Financial Reporting (Cont'd)

(b) Reviewed the unaudited management report and accounts of the Company and of the Group with management before recommending to the Board of Directors for their consideration and approval. The Audit Committee's review of the management report and accounts had included a review of the Company's quarterly results against the preceding year's corresponding quarter, quarterly results against the immediate year's preceding quarter, as well as year-to-date results against the preceding year's year-to-date results. In reviewing the management report and accounts, the Audit Committee was guided by Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

(c) Reviewed the audited statutory accounts of the Company and of the Group, issues and reservations arising from the statutory audit with the External Auditors, prior to recommendation to the Board of Directors for their consideration and approval. The Audit Committee's review had included a critical and intelligent scrutiny of the statutory accounts based on an analytical approach, whilst at the same time obtaining assurance from management and the External Auditors that the financial statement disclosures were in compliance with relevant and applicable statutory and Malaysian Financial Reporting Standards. The Audit Committee's scrutiny of the statutory accounts had also included a review of the reasonableness of accounting policies and estimates applied by the Group, and reporting on going concerns, which was concurred by the External Auditors in its Report to the Audit Committee. The Audit Committee had also reviewed significant audit matters highlighted by the External Auditors in their Report to the Audit Committee which warranted the Audit Committee's attention. In addition, the Audit Committee had taken note of any corrected material misstatements related to the accounts and reviewed the summary of the unadjusted audit differences for the Group. The External Auditors report on the financial statements was not subject to any qualification.

(d) Reviewed the extent of the Group's compliance with the principles and recommendations set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Statement on Corporate Governance and the Statement on Risk Management and Internal Control pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements for inclusion in the Company's Annual Report. Recommended to the Board action plans to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and recommendations under the Code. Reference was also made to the Analysis of Corporate Governance Disclosures in Annual Reports (for Annual Reports 2013 - 2014) to further enhance the disclosure statements.

(e) Reviewed and approved the Report of the Audit Committee for inclusion in the Company's Annual Report. Reference was made to the Analysis of Corporate Governance Disclosures in Annual Reports (for Annual Reports 2013 - 2014) to further enhance the disclosure statement.

(f) Reviewed other disclosures forming the contents of the Company's Annual Report spelt out in Part A of Appendix 9C of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. These included a statement on the Board's responsibility for the preparation of the annual audited financial statements, statements on the activities of the Nominating and Remuneration Committees in the discharge of their duties for the financial year, the Chairman's statement, and particulars of material properties of the Group.

External Audit

(a) Reviewed with the External Auditors the audit plan of the Company and of the Group for the year (inclusive of audit approach and scope of work) prior to the commencement of the annual audit. The External Auditors had briefed the Audit Committee on their Audit Planning Memorandum pertaining to the statutory audit of the Company and of the Group for the financial year ended 30 September 2016, highlighting areas of audit emphasis (e.g. investments in subsidiaries and associate, impairment of investments, valuation of insurance contract liabilities of the general insurance fund, and impairment of insurance receivables and payables), key regulatory developments, involvement of internal audit and other experts, and the risk of management override. The Audit Committee had also performed a detailed review of the Audit Planning Memorandum tabled and after due deliberation, the Audit Committee approved the Audit Planning Memorandum for the financial year ended 30 September 2016.

ACTIVITIES OF THE COMMITTEE (CONT'D)

External Audit (Cont'd)

(b) Reviewed the results of the annual audit, the External Auditor's audit report and management letter together with management's corrective actions taken to address the findings of the External Auditors.

(c) Met with the External Auditors without the presence of management, to discuss problems and reservations arising from the audit, or any other matters the External Auditors may wish to discuss, including the level of assistance provided by the Company's employees to the External Auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

(d) Evaluated the performance, independence and suitability of the External Auditors and made recommendations to the Board of Directors on their re-appointment and remuneration. In reviewing the performance, independence and suitability of the External Auditors, the Audit Committee had reviewed the curriculum vitae of the audit team as well as completed its own assessment in the form of a checklist, which covered the following considerations – minimum qualifying criteria for External Auditors, the scope of audit and auditors' performance, their independence and objectivity, audit fees, their insurance audit experience, as well as the nature, scope and fee of non-audit services. The Audit Committee had also received feedback from management on the professional working relationship with the External Auditors. Pertaining to independence, the Audit Committee had obtained written assurance from the External Auditors confirming that they were not aware of any relationships or matters that may reasonably be thought to bear on the External Auditors' independence and performance. The External Auditors' independence was further enhanced by the Malaysian Institute of Accountants' Bylaws (on Professional Ethics, Conduct and Practice), which restricts an individual from being a key audit partner for more than five (5) years in respect of an audit of a public interest entity. Based on the written assurance from the External Auditors and the Audit Committee's own assessment performed, the Audit Committee was satisfied with the suitability and independence of the External Auditors.

(e) Reviewed the nature, scope and fees for non-audit services provided by the External Auditors and ensured they were fair and reasonable and in line with the laid down practices on non-audit services in order to safeguard the independence and objectivity of the External Auditors and reduce potential conflicts of interest. The Head of Finance, in consultation with the Managing Director/Chief Executive Officer, may proceed to engage the External Auditors to provide permitted non-audit services, provided that the total non-audit fees (including fees for the new engagement) did not exceed a fixed percentage of the total audit fees. In such instances, the concurrence of the Audit Committee is required to be obtained in the immediate Audit Committee meeting.

Internal Audit

(a) Reviewed the adequacy and relevance of the scope, functions, resources, procedures, risk-based internal audit plans and results of the internal audit processes, with the Group Internal Audit Department, and that it has the necessary authority to carry out its work. The Group Internal Audit Department had assisted the Audit Committee in its review by issuing quarterly reports to the Audit Committee, highlighting the status of completion of the approved Audit Planning Memorandum, a summary of significant audit findings raised in the audit reports, status of follow-up on significant internal audit issues, the cooperation extended by management and staff, adequacy and competency of internal audit resources, staff training and development, and comparison of actual versus budgeted time spent on assignments.

(b) Reviewed the audit activities (comprising internal control, risk management process and governance practices) carried out by the Group Internal Audit Department and the audit reports to ensure corrective actions were taken by management in a timely manner to address the governance, risk and control issues reported. Risk-based audits and governance reviews performed included underwriting, claims, selected subsidiaries and branches, accounts, public complaint, product transparency and disclosure, information system risks, internal controls and operational risk management, and extent of the Company's compliance with the Goods and Services Tax Act 2014 and Guides issued by the Royal Malaysian Customs, amongst others.

Report of the Audit Committee (Cont'd)

ACTIVITIES OF THE COMMITTEE (CONT'D)

Related Party Transactions

(a) Reviewed, with the assistance of the Group Internal Audit Department, related party transactions entered into by the Company and the Group to ensure that the transactions entered into were in adherence to paragraphs 10.08 and 10.09 of the Main Market Listing Requirements (Chapter 10 Part E - Related Party Transactions) and the Related Party Transactions Policy and Procedures adopted by the Group and the adequacy, appropriateness and compliance of the procedures established to monitor related party transactions.

(b) Reviewed sufficiency of the Company's and the Group's procedures to ensure that recurrent related party transactions are not more favorable to the related party than those generally available to the public and are not to the detriment of the minority shareholders. Ensured that the related party transactions were conducted in the best interest of the Company and the Group.

(c) Reviewed and reported to the Board all related party contracts and transactions entered into by the Company and the Group.

(d) Monitored potential of conflict of interest situations involving Directors and ensuring that such situations of conflict are avoided and that the requirements under the Directors' Code of Ethics are adhered to.

Others

(a) Discussed the implications of any latest changes and pronouncements on the Company and the Group, which were issued by the accountancy, statutory and regulatory bodies as well as publications on matters of significance, which may be of interest to the Audit Committee and the Board.

(b) Reported to the Board on significant issues and concerns discussed during the Audit Committee meetings together with applicable recommendations. Minutes of meetings were made available to all Board members.

(c) Took note of the briefings by the Audit Committee Chairman of the significant subsidiary on important matters that were discussed at the subsidiary's Audit Committee meetings, which were held prior to the Company's Audit Committee meetings. Such briefings had included internal audit reports issued by the Internal Audit Department, management report and accounts of the subsidiary for the quarter and year to-date, related party transactions entered into by the subsidiary, the subsidiary's Chief Executive Officer's report to the Board as well as management's periodic reporting on the scope and performance of the subsidiary's risk management and internal control systems to the Board, amongst other matters.

(d) Reviewed the assurance provided by the Managing Director/Chief Executive Officer on the scope and performance of the risk management and internal control systems established by the Group prior to recommendation to the Board for acceptance. For the period under review, the Managing Director/Chief Executive Officer had assured that the Company's risk management and internal control system was adequate and generally effective in addressing the identified risks of the Group. Although minor lapses were noted, these did not have a significant impact on the Group. The assurance provided by the Managing Director/Chief Executive Officer was mainly based on the periodic reports received from the Chief Executive Officer of the significant insurance subsidiary, which were prepared based on an assessment process derived from a system of direct and indirect assessment of the risk management and internal control systems implemented in the said insurance subsidiary. The assurance provided by the subsidiary's Chief Executive Officer was corroborated by independent assurance received from the Group Internal Audit Department based on the audit performance of its Audit Planning Memorandums approved by the relevant Audit Committees. Limited assurance was placed on the External Auditor's consideration of the Group's internal control over financial reporting, as this was performed solely for the purpose of planning the External Auditor's audit and determining the nature, timing and extent of their audit procedures. Such consideration was not sufficient to enable the External Auditors to express an opinion on the overall effectiveness of internal control or to identify all significant deficiencies.

(e) Reviewed the Statement of Share Buy-back prior to recommendation to the Board for approval. The Statement sets out the details of the Proposed Renewal of Authority for the Purchase by the Company of its Own Shares and was prepared based on the requirements set out in Part B of Appendix 12A of the Main Market Listing Requirements. The Audit Committee was generally satisfied with the disclosure thereof.

INTERNAL AUDIT ACTIVITIES REPORT

The Audit Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Internal Audit function reports directly to the Committee and is independent of the activities it audits. The primary responsibility of the Group Internal Audit Department is to undertake regular and systematic reviews of the risk management process, internal controls and governance practices of the Company and the Group in conformance with the International Professional Practices Framework so as to provide reasonable assurance that the risk management process, internal controls and governance practices are operating satisfactorily and effectively and are in line with the Group's goals and objectives. The total costs incurred for the Internal Audit function of the Group in respect of the financial year ended 30 September 2016 was RM979,570.

The summary of the activities of the Group Internal Audit Department for the financial year ended 30 September 2016 is as follows:

(a) Prepared the annual Audit Plan for approval of the Audit Committee. The annual Audit Plan was developed based on assessment of the significance of potential risk exposures of the auditable areas.

(b) Performed regular governance, risk and controls reviews of the governance practices and strategic business units of the Company and of the Group. Risk-based audits and governance reviews performed included underwriting, claims, selected subsidiaries and branches, accounts, public complaint, product transparency and disclosure, information system risks, internal controls and operational risk management, and extent of the Company's compliance with the Goods and Services Tax Act 2014 and Guides issued by the Royal Malaysian Customs, amongst others. The audit reviews covered the adequacy and effectiveness of the internal control and risk management process and appropriateness and effectiveness of governance practices, reliability and integrity of the financial, operational and management information systems, safeguarding of assets, and compliance with established contracts, procedures, guidelines and statutory requirements, where applicable.

(c) Issued audit reports to the Audit Committee and management, identifying weaknesses and issues as well as highlighting recommendations for improvement. Such recommendations were acted upon by management within agreed timelines.

(d) Acted on suggestions made by the Audit Committee members and/or senior management on concerns over operations or control.

(e) Followed up on management corrective actions on audit issues raised by the Internal Auditor and External Auditor. Determined whether corrective actions taken had generally achieved the desired results.

(f) Reported to the Audit Committee on review of the adequacy, appropriateness and compliance with the procedures established to monitor related party transactions.

(g) Reviewed the quarterly report on consolidated results for announcement to Bursa Malaysia Securities Berhad and management report and accounts of the Company and of the Group with management and the Audit Committee.

(h) Reviewed the audited statutory accounts of the Company and of the Group, and issues and reservations arising from the statutory audit with the Audit Committee, management and the External Auditors.

(i) Reviewed on the appropriateness of the Statement on Corporate Governance and Statement on Risk Management and Internal Control in regard to compliance with the Malaysian Code on Corporate Governance and the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers and that the processes adopted by management were consistent with the Internal Audit function's understanding of the Group's risk management and internal control systems and corporate governance practices.

(j) Assisted the Audit Committee to prepare the Report of the Audit Committee in line with the requirements of paragraph 15.15 of the Main Market Listing Requirements and the Malaysian Code on Corporate Governance for inclusion in the Company's Annual Report.

(k) Attended all Audit Committee meetings to table and discuss the audit reports and followed up on matters raised.

CHAIRMAN'S STATEMENT

On behalf of your Board of Directors, I have the pleasure of presenting the Annual Report and Audited Financial Statements of your Company for the year ended 30 September 2016.

FINANCIAL RESULTS

A lower Group turnover of RM374.4 million was achieved compared to the RM464.8 million in 2015 mainly because of a reduction in premium income at the insurance subsidiary company. Pre-tax profit of the Group was lower at RM37.3 million than the RM62.3 million of the previous year. The lower pre-tax profit was primarily due to unrealised foreign exchange losses during the year under review arising from the volatility of the Ringgit compared to corresponding gains in the previous year.

At Company level, turnover was RM30.6 million, a decrease from the RM42.6 million achieved in the previous year. A loss before tax of RM1.5 million was recorded compared to a profit before tax of RM57.2 million in 2015. The change in profitability was mainly due to unrealised foreign exchange losses in 2016 compared to gains in 2015.

ECONOMIC OUTLOOK

The outlook for global growth remains downbeat with the International Monetary Fund expecting a "subpar 3.1 percent in 2016, with a slight increase to 3.4 percent in 2017". This is attributed, in large part, to continued weakness in the advanced economies – a slowdown in the U.S. and Euro area compounded by the uncertainty of Brexit. The picture for emerging markets overall is a little more positive as they are generally expected to experience accelerating growth albeit with differing prospects across countries and regions.

Domestically, the Malaysian Institute of Economic Research ("MIER") is forecasting a growth of 4.2 percent in 2016 and 4.5-5.5 percent in 2017. The slowdown in the advanced economies has directly affected the demand for Malaysian exports. In addition, smaller commodity-exporting countries, also affected by weak demand for their exports, are importing less from Malaysia. Coupled with the current weak consumer confidence, MIER takes the view that "the short-term outlook remains bleak".

PROSPECTS OF THE COMPANY

The Company is still in the process of transition from being a largely insurance-based concern to one with more diversified interests. During this period, a number of investments have been made and more are currently being evaluated. This process can be expected to continue for some time into the future.

The year under review has seen geopolitical conflict, volatile financial markets, depressed commodity prices and sluggish economic growth with the prospect of more of the same in 2017. As such, your Board is necessarily cautious about the prospects for the current year but barring any major upheaval, performance should be satisfactory.

BUSINESS ACTIVITIES

Financial Services

This division comprises Pacific & Orient Insurance Co. Berhad ("POI") and P & O Capital Sdn. Bhd. ("POC"), a money lending company.

Insurance

Weak consumer sentiment has led to flat automobile sales and this has resulted in meagre growth of 2.3 percent in total motor premium for the industry. The motorcycle segment that POI has specifically targeted for some time, has seen ever increasing competition in recent years. Thus, while this segment remains an important part of POI long-term strategy, it has become necessary to direct current efforts to other motor segments and to non-motor classes with a view to identifying and exploiting more profitable business lines. The highly competitive environment has also given opportunity to agents to demand greater incentives from insurers who now face higher costs of acquiring business. Despite these pressures, POI has managed to weather the storm and remain profitable in the year under review.

The liberalisation of Motor Comprehensive and Theft premiums comes into effect on 1 July 2017 and Third-Party will follow in due course. In preparation for this, POI had undertaken a broad review of its business and subsequently developed strategies which are now in the process of being implemented. The end result of the exercise should see the introduction of new products, new distribution channels, an enhanced digital presence and other efficiency measures to allow POI to compete effectively in the new environment.

POI's total revenue was RM357.4 million, a decrease from the RM449.1 million achieved in the previous year. This reduction was primarily due to lower motor premium income. Despite this, an improved pre-tax profit of RM68.5 million was recorded, a significant increase on the RM30.0 million of the preceding year due to substantial write-backs of claims reserves.

Money Lending

The money lending subsidiary saw an increase in interest income as a result of a sizeable loan granted during the year under review. The turnover for the year rose to RM3.4 million from RM1.8 million in the previous year. The subsidiary recorded correspondingly higher pre-tax profit of RM0.9 million compared to RM0.8 million the year before.

Information Technology

Total turnover for the division was RM28.8 million and increase over the RM24.6 million of 2015. However, profitability was adversely affected by unrealised foreign exchange losses during the year compared to corresponding gains in the previous year with a pre-tax loss of RM5.6 million compared to a pre-tax profit of RM0.8 million in 2015.

Chairman's Statement (Cont'd)

BUSINESS ACTIVITIES (CONT'D)

Other Investments

During the year under review, the Group made the following new investments:

Cross-Flow Energy Company Limited ("C-FEC"), incorporated in England and Wales, was founded to commercially develop and patent a new form of wind turbine. In the past eight years, C-FEC has invested in R&D to develop a disruptive turbine technology with wind, water and pump applications. In the current pre-commercialisation phase, a prototype turbine is being built and is close to completion. The completed prototype will be tested to verify the computer simulations for the ideal production turbines.

The Group is represented on the Board of Directors and holds 19.45 percent of the ordinary share capital of C-FEC.

Silicon Markets Limited ("Silicon Markets"), incorporated in England and Wales, provides retail traders access to easy-to-use professional trading tools for forex leveraged products and "contract for difference" derivative products. The company business model envisages three revenue streams: Brokerage fees, trading on its own account and software leasing to brokers operating in jurisdictions closed to the company. Thus far, the company has had only limited broking activity in temporary partnership with another licensed brokerage. The company is in the process of acquiring its own licences.

The Group holds 10.0 percent of the ordinary share capital of Silicon Markets.

Hiringboss Holdings Pte. Ltd. ("HRBoss"), incorporated in Singapore, provides software solutions for business intelligence, corporate performance management and recruitment. It has more than 80 clients that include Singapore GLCs and blue chip companies.

Pacific & Orient Distribution Sdn. Bhd. ("POD") holds 13.8 percent of the ordinary share capital of HRBoss.

MoolahSense Private Limited ("MoolahSense"), incorporated in Singapore, is a peer-to-peer lending platform that connects prospective investors to small-to-medium enterprises (SMEs) that are seeking short-term business loans. It has a full Capital Markets Services licence from the Monetary Authority of Singapore allowing it to offer marketplace lending services to investors of all classes. Using information from official sources, the company reviews applications from businesses and if approved, lists them on the platform. Investors can then select the businesses in which they wish to invest. The company earns fees from the businesses and manages collections from borrowers and repayments to investors.

POD holds 13.78 percent of the ordinary share capital in MoolahSense.

Chairman's Statement (Cont'd)

DIVIDEND

In respect of the financial year ended 30 September 2016, your company paid out dividends on six occasions as follows:

First interim dividend of 2.00 sen per share on 4 December 2015
Second interim dividend of 2.00 sen per share on 20 January 2016
Third interim dividend of 1.50 sen per share on 16 March 2016
Fourth interim dividend of 1.30 sen per share on 25 May 2016
Fifth interim dividend of 2.50 sen per share on 10 August 2016
Sixth interim dividend of 1.20 sen per share on 9 November 2016

All dividends paid out were single tier dividends.

Your Directors do not propose to declare any final dividend for the financial year under review.

CORPORATE SOCIAL RESPONSIBILITY

The Group continues to undertake activities consistent with good corporate citizenry and social responsibility. For example, various member companies of the Group:

- Encourage employees to minimise the wastage of energy and products with significant environmental costs.
- Provide financial and other support to organisations concerned with safety, charitable, welfare and sports activities.
- Train, develop and provide health education to employees.

APPRECIATION

On behalf of the Board of Directors, I would like to acknowledge the efforts put in by management and staff during the year and to thank our business associates for continued co-operation and support.

CHAN HUA ENG
Chairman
December 2016
Kuala Lumpur

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah anda, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat anda bagi tahun berakhir 30 September 2016.

PRESTASI KEWANGAN

Perolehan Kumpulan yang lebih rendah sebanyak RM374.4 juta telah diperolehi berbanding dengan RM464.8 juta pada 2015 terutamanya disebabkan oleh penurunan dalam pendapatan premium di anak syarikat insurans. Keuntungan pracukai bagi Kumpulan adalah lebih rendah di RM37.3 juta berbanding RM62.3 juta pada tahun sebelumnya. Keuntungan pracukai yang lebih rendah adalah terutamanya disebabkan oleh kerugian pertukaran asing tidak direalisasi pada tahun yang dikaji berikutan ketidakstabilan Ringgit berbanding keuntungan pada tahun sebelumnya.

Di peringkat Syarikat, perolehan adalah sebanyak RM30.6 juta, penurunan daripada RM42.6 juta yang telah dicapai pada tahun sebelumnya. Kerugian pracukai sebanyak RM1.5 juta telah dicatatkan berbanding keuntungan pracukai sebanyak RM57.2 juta pada 2015. Perubahan di dalam keberuntungan adalah terutamanya disebabkan oleh kerugian pertukaran asing tidak direalisasi pada 2016 berbanding dengan keuntungan pada 2015.

PROSPEK EKONOMI

Prospek bagi pertumbuhan global kekal susut di mana Tabung Kewangan Antarabangsa menjangkakan "3.1 peratus subpar pada 2016, dengan sedikit peningkatan kepada 3.4 peratus pada 2017". Ini adalah disebabkan oleh, sebahagian besar, kelemahan berterusan dalam ekonomi maju – kelembapan di U.S. dan kawasan Eropah diburukkan lagi dengan ketidaktentuan *Brexit*. Gambaran bagi keseluruhan pasaran baru muncul adalah lebih positif kerana ia secara amnya dijangkakan mengalami pertumbuhan pesat meskipun berbeza prospek di negara-negara dan wilayah.

Secara domestik, Institut Penyelidikan Ekonomi Malaysia ("MIER") meramalkan pertumbuhan sebanyak 4.2 peratus pada 2016 dan 4.5-5.5 peratus pada 2017. Penyusutan dalam ekonomi maju telah secara langsung memberi kesan terhadap permintaan bagi eksport Malaysia. Tambahan lagi, negara pengeksport komoditi yang lebih kecil, juga terjejas oleh permintaan yang lemah bagi eksport mereka, kurang mengimport dari Malaysia. Ditambah pula dengan keyakinan pengguna yang lemah, MIER berpandangan bahawa "prospek jangka pendek kekal suram".

PROSPEK SYARIKAT

Syarikat masih dalam proses peralihan daripada menjadi sebahagian besarnya berasaskan insurans kepada satu yang mempunyai kepentingan yang pelbagai. Dalam tempoh ini, beberapa pelaburan telah dibuat dan terdapat banyak lagi yang sedang dinilai. Proses ini boleh dijangka berterusan untuk beberapa ketika pada masa akan datang.

Tahun yang dikaji telah menyaksikan konflik goepolitik, ketidaktentuan pasaran kewangan, kemelesetan harga komoditi dan kelembapan pertumbuhan ekonomi dengan prospek yang seakan sama pada 2017. Oleh itu, Lembaga Pengarah anda semestinya berhati-hati berkenaan prospek bagi tahun semasa tetapi sekiranya tiada sebarang pergolakan besar, prestasi seharusnya memuaskan.

Penyata Pengerusi (Samb)

KEGIATAN PERNIAGAAN

Perkhidmatan Kewangan

Bahagian ini terdiri daripada Pacific & Orient Insurance Co. Bhd. ("POI") dan P & O Capital Sdn. Bhd. ("POC"), sebuah syarikat pemberi pinjaman wang.

Insurans

Sentimen pengguna yang lemah telah membawa kepada jualan kereta yang mendatar dan ini telah menyebabkan pertumbuhan kecil sebanyak 2.3 peratus dalam jumlah premium motor bagi industri. Segmen motosikal di mana POI telah menyasarkan secara khusus untuk beberapa ketika, telah memperlihatkan persaingan yang semakin meningkat dalam beberapa tahun kebelakangan ini. Oleh itu, sementara segmen ini kekal penting sebagai sebahagian strategi jangka panjang bagi POI, adalah berpatutan juga untuk mengarahkan usaha-usaha semasa kepada segmen-segmen motor yang lain dan kepada kelas-kelas bukan motor dengan tujuan mengenalpasti dan mengeksploitasi bidang perniagaan yang lebih menguntungkan. Persekitaran yang amat kompetitif juga telah memberi peluang kepada agen-agen untuk menuntut insentif yang lebih besar daripada syarikat-syarikat insurans yang ketika ini berhadapan dengan kos-kos yang tinggi menanggung perniagaan. Walaupun dengan tekanan-tekanan ini, POI telah berjaya mengharunginya dan kekal menguntungkan dalam tahun yang dikaji.

Liberalisasi premium bagi Motor Komprehensif dan Kecurian yang berkuatkuasa pada 1 Julai 2017 dan Pihak-Ketiga akan menyusul kelak. Dalam persediaan untuk ini, POI telah menjalankan kajian yang meluas berkenaan perniagaannya dan kemudiannya membangunkan strategi yang kini dalam proses untuk dilaksanakan. Hasil akhir daripada langkah tersebut dapat melihat pengenalan produk-produk baharu, saluran-saluran pengedaran baharu, kehadiran penambahbaikan digital dan kaedah-kaedah kecekapan lain yang membolehkan POI bersaing secara efektif dalam persekitaran baharu.

Jumlah hasil pendapatan POI adalah sebanyak RM357.4 juta, penurunan daripada RM449.1 juta yang diperolehi pada tahun sebelumnya. Penurunan ini terutamanya adalah disebabkan oleh pendapatan premium motor yang lebih rendah. Walaupun begitu, peningkatan keuntungan pracukai sebanyak RM68.5 juta telah direkodkan, peningkatan ketara ke atas RM30.0 juta daripada tahun sebelumnya disebabkan oleh masuk kira semula rizab tuntutan yang besar.

Pemberi Pinjaman Wang

Anak syarikat pemberi pinjaman wang memperlihatkan peningkatan dalam pendapatan faedah hasil daripada pinjaman besar yang diberikan pada tahun yang dikaji. Perolehan tahunan meningkat kepada RM3.4 juta dari RM1.8 juta pada tahun sebelumnya. Anak syarikat merekodkan secara sejajar keuntungan pracukai yang lebih tinggi sebanyak RM0.9 juta berbanding RM0.8 juta pada tahun sebelumnya.

Teknologi Maklumat

Jumlah perolehan bagi bahagian ini adalah RM28.8 juta dan meningkat melebihi RM24.6 juta pada 2015. Walau bagaimanapun, keberuntungan telah terjejas teruk oleh kerugian pertukaran asing tidak direalisasi pada tahun semasa berbanding dengan keuntungan yang sepadan pada tahun sebelumnya dengan kerugian pracukai sebanyak RM5.6 juta berbanding dengan keuntungan pracukai sebanyak RM0.8 juta pada 2015.

Penyata Pengerusi (Samb)

KEGIATAN PERNIAGAAN (SAMB)

Pelaburan-Pelaburan Lain

Sepanjang tahun yang dikaji, Kumpulan telah membuat pelaburan-pelaburan baharu yang berikut:

Cross-Flow Energy Company Limited ("C-FEC"), diperbadankan di England dan Wales, ditubuhkan untuk membangunkan dan mempatenkan secara komersial bentuk baharu turbin angin. Dalam lapan tahun yang lalu, C-FEC telah melabur di dalam R&D untuk membangunkan teknologi turbin disruptif dengan aplikasi angin, air dan pam. Di fasa pra-pengkomersialan semasa, sebuah turbin prototaip sedang dibina dan hampir siap. Prototaip yang telah siap akan diuji untuk mengesahkan simulasi komputer untuk pengeluaran turbin ideal.

Kumpulan diwakili dalam Lembaga Pengarah dan memegang 19.45 peratus modal saham biasa C-FEC.

Silicon Markets Limited ("Silicon Markets"), diperbadankan di England dan Wales, menyediakan peniaga-peniaga runcit akses kepada alat perdagangan profesional yang mudah untuk digunakan bagi produk-produk forex dimanfaatkan dan "*contract for difference*" produk-produk derivatif. Model perniagaan syarikat ini membayangkan tiga aliran pendapatan: Bayaran broker, dagangan di akaun sendiri dan perisian pajakan kepada broker-broker yang beroperasi di dalam bidang kuasa tertutup kepada syarikat. Setakat ini, syarikat ini hanya mempunyai aktiviti pembrokeran terhad dalam perkongsian sementara bersama dengan satu broker berlesen yang lain. Syarikat ini sedang dalam proses mendapatkan lesen miliknya sendiri.

Kumpulan memegang 10.0 peratus modal saham biasa Silicon Markets.

Hiringboss Holdings Pte. Ltd. ("HRBoss"), diperbadankan di Singapura, menyediakan penyelesaian perisian untuk perisikan perniagaan, pengurusan prestasi korporat dan perekrutan. Ia mempunyai lebih daripada 80 klien termasuklah GLCs Singapura dan syarikat-syarikat cip biru.

Pacific & Orient Distribution Sdn. Bhd. ("POD") memegang 13.8 peratus modal saham biasa HRBoss.

MoolahSense Private Limited ("MoolahSense"), diperbadankan di Singapura, sebuah *peer-to-peer* platfom pinjaman yang menghubungkan bakal pelabur kepada perusahaan kecil dan sederhana (SMEs) yang mencari pinjaman perniagaan jangka pendek. Ia mempunyai lesen penuh *Capital Markets Services* daripada *Monetary Authority of Singapore* yang membolehkannya menawarkan perkhidmatan pinjaman di pasaran kepada semua kelas pelabur. Dengan menggunakan informasi daripada sumber-sumber rasmi, syarikat ini menyemak permohonan daripada perniagaan-perniagaan dan jika diluluskan, menyenaraikan mereka di platfom. Pelabur-pelabur kemudiannya boleh memilih perniagaan-perniagaan di mana mereka ingin melabur. Syarikat ini mendapat bayaran daripada perniagaan-perniagaan dan menguruskan kutipan daripada peminjam-peminjam dan pembayaran semula kepada pelabur-pelabur.

POD memegang 13.78 peratus modal saham biasa MoolahSense.

Penyata Pengerusi (Samb)

DIVIDEN

Berhubung dengan tahun kewangan berakhir 30 September 2016, Syarikat anda telah membayar dividen sebanyak enam kali seperti yang berikut:

Dividen interim pertama sebanyak 2.00 sen sesaham pada 4 Disember 2015
Dividen interim kedua sebanyak 2.00 sen sesaham pada 20 Januari 2016
Dividen interim ketiga sebanyak 1.50 sen sesaham pada 16 Mac 2016
Dividen interim keempat sebanyak 1.30 sen sesaham pada 25 Mei 2016
Dividen interim kelima sebanyak 2.50 sen sesaham pada 10 Ogos 2016
Dividen interim keenam sebanyak 1.20 sen sesaham pada 9 November 2016

Semua dividen dibayar adalah dividen satu tier.

Para Pengarah anda tidak bercadang untuk mengisytiharkan sebarang dividen akhir bagi tahun kewangan yang dikaji.

TANGGUNGJAWAB SOSIAL KORPORAT

Kumpulan terus melaksanakan kegiatan-kegiatan yang konsisten dengan tanggungjawab warga korporat dan sosial yang baik. Sebagai contoh, beberapa ahli syarikat Kumpulan:

- Menggalakkan kakitangan untuk meminimumkan pembaziran tenaga dan produk yang boleh memberi kesan ketara kepada alam sekitar.
- Menyediakan bantuan kewangan dan lain-lain sokongan kepada organisasi-organisasi yang terlibat dalam kegiatan-kegiatan keselamatan, kerja-kerja amal, kebajikan dan sukan.
- Melatih, membangun dan memberi pendidikan kesihatan kepada kakitangan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan atas usaha-usaha yang dilakukan oleh pengurusan dan kakitangan sepanjang tahun dan berterima kasih kepada rakan-rakan perniagaan kami untuk kerjasama dan sokongan yang berterusan.

CHAN HUA ENG
Pengerusi
Disember 2016
Kuala Lumpur

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of Group's and the Company's financial statements for each financial year in accordance with the requirements of the applicable approved Malaysian Financial reporting Standards issued by the Malaysian Accounting Standards Board, the requirements of the Companies Act 1965, Financial Services Act 2013, Bank Negara Malaysia's guidelines and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Central to those requirements is the need to ensure that these accounts present a true and fair view of the state of affairs of the Group and the Company, the results, cash flows and statement of changes in equity. In the preparation of these financial statements for the year under review, the Directors have:

(a) applied the appropriate and relevant accounting policies in a consistent manner;

(b) made judgments and estimates that are reasonable and prudent; and

(c) prepared the annual audited financial statements on a going concern basis.

FINANCIAL STATEMENTS

Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and the provision of management services.

The principal activities of the subsidiary companies are as disclosed in Note 11 to the financial statements.

There were no significant changes in the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the year	19,144	(1,501)
Attributable to:		
Equity holders of the Company	(5,539)	(1,501)
Non-controlling interest	24,683	–
	19,144	(1,501)

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2015 were as follows:

	RM'000
In respect of the financial year ended 30 September 2016:	
1st interim single tier dividend of 2.00 sen per share declared on 4 November 2015 and paid on 4 December 2015	4,780
2nd interim single tier dividend of 2.00 sen per share declared on 15 December 2015 and paid on 20 January 2016	4,780
3rd interim single tier dividend of 1.50 sen per share declared on 5 February 2016 and paid on 16 March 2016	3,585
4th interim single tier dividend of 1.30 sen per share declared on 19 April 2016 and paid on 25 May 2016	3,107
5th interim single tier dividend of 2.50 sen per share declared on 11 July 2016 and paid on 10 August 2016	5,958
	22,210

The Directors do not recommend the payment of any final dividend for the financial year ended 30 September 2016.

The Board of Directors had on 5 October 2016 declared a sixth interim single tier dividend of 1.20 sen per share in respect of the financial year ended 30 September 2016, paid on 9 November 2016. This dividend has not been reflected in the financial statements for the current year ended 30 September 2016 but will be accounted for in equity as an appropriation of retained profits for the next financial year ending 30 September 2017.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Before the income statements, statements of other comprehensive income and statements of financial position of the Group were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance contract liabilities at the insurance subsidiary company in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") for insurers issued by Bank Negara Malaysia ("BNM").

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up share capital of the Company during the financial year.

TREASURY SHARES

During the financial year, the Company purchased 2,186,200 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 consideration of RM2,849,713. 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. Further relevant details are disclosed in Note 28(a) to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group or of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the insurance subsidiary company.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS

The Directors in office since the date of the last report are:

Mr. Chan Hua Eng
Mr. Chan Thye Seng
Mr. Michael Yee Kim Shing
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed
Dato' Dr. Zaha Rina binti Zahari

In accordance with Section 129(6) of the Companies Act, 1965, Mr. Chan Hua Eng, Mr. Michael Yee Kim Shing and Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

In accordance with Article 82 of the Company's Articles of Association, Mr. Chan Thye Seng retires from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

Directors' Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company or its subsidiary companies was a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary as a full-time employee of the Company as shown in Note 37 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
	At 1 October 2015	**Acquired**	**(Disposed)**	**At 30 September 2016**
The Company				
Mr. Chan Hua Eng				
- Direct interest	284,198	–	–	284,198
- Indirect interest	5,349,522	–	–	5,349,522
Mr. Chan Thye Seng				
- Direct interest	32,873,068	870,252	(100,000)	33,643,320
- Indirect interest	109,045,418	–	–	109,045,418
Mr. Michael Yee Kim Shing				
- Direct interest	200,000	–	–	200,000
- Indirect interest	411,018	–	–	411,018
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed				
- Indirect interest	1,070,252	–	(870,252)	200,000
Dato' Dr. Zaha Rina binti Zahari				
- Direct interest	650,000	–	–	650,000

Mr. Chan Hua Eng and Mr. Chan Thye Seng, by virtue of their interests in the Company, are deemed to have an interest in the shares of all the subsidiary companies within the Group to the extent the Company has an interest.

Other than as stated above, none of the Directors who were in office at the end of the financial year had any interest in the shares of the Company or its related corporations during the financial year.

Directors' Report

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 30 November 2016.

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

Statement By Directors

We, CHAN THYE SENG and MICHAEL YEE KIM SHING, being two of the Directors of PACIFIC & ORIENT BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 54 to 160 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2016 and of the results and cash flows of the Group and of the Company for the year then ended.

The information set out in Note 59 to the financial statements have been prepared in accordance with the Guidance on 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, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 November 2016.

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

Statutory Declaration

I, LIM HING YOONG, being the Officer primarily responsible for the financial management of PACIFIC & ORIENT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 54 to 160 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, l960.

Subscribed and solemnly declared by)
the abovenamed LIM HING YOONG)
at Kuala Lumpur in Wilayah)
Persekutuan on 30 November 2016.) **LIM HING YOONG**

Before me,

KAPT (B) AFFANDI BIN AHMAD
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Pacific & Orient Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Pacific & Orient Berhad, which comprise statements of financial position as at 30 September 2016 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 160.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent Auditors' Report
to the members of Pacific & Orient Berhad
(Incorporated in Malaysia)

Other reporting responsibilities

The supplementary information set out in Note 59 on page 161 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Megat Iskandar Shah bin Mohamad Nor
No. 3083/07/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
30 November 2016

Statements of Financial Position

as at 30 September 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Property, plant and equipment	5	**22,964**	22,917	**1,992**	1,089
Investment properties	6	**1,030**	1,020	**–**	–
Prepaid land lease payments	7	**302**	306	**–**	–
Intangible assets	8	**1,795**	1,577	**79**	91
Deferred tax assets	9	**502**	489	**502**	489
Investments	10	**170,744**	118,109	**83,534**	64,472
Investment in subsidiary companies	11	**–**	–	**120,467**	120,467
Investment in associated companies	12	**19,403**	9,665	**–**	–
Inventories - goods for resale	13	**497**	562	**–**	–
Land held for development	14	**36,212**	37,386	**–**	–
Loans	15	**31,907**	287	**–**	–
Reinsurance assets	16	**223,012**	214,914	**–**	–
Insurance receivables	17	**17,776**	25,110	**–**	–
Trade receivables	18	**2,280**	969	**–**	–
Other receivables	18	**80,072**	85,722	**1,470**	1,572
Due from subsidiary companies	19	**–**	–	**153,025**	112,160
Deposits and placements with financial institutions	20	**582,363**	700,826	**5,159**	58,275
Cash and bank balances	21	**56,511**	110,483	**11,561**	44,942
TOTAL ASSETS		**1,247,370**	1,330,342	**377,789**	403,557
LIABILITIES					
Insurance contract liabilities	22	**689,090**	771,398	**–**	–
Insurance payables	23	**17,055**	15,227	**–**	–
Deferred tax liabilities	9	**1,092**	680	**–**	–
Trade payables	24	**1,006**	1,583	**–**	–
Other payables	24	**12,744**	9,500	**1,233**	1,165
Due to subsidiary companies	25	**–**	–	**48**	53
Hire purchase creditors	26	**3,011**	2,190	**1,239**	417
Borrowings	27	**34,149**	33,994	**–**	–
Tax payable		**5,602**	125	**–**	111
TOTAL LIABILITIES		**763,749**	834,697	**2,520**	1,746
EQUITY					
Share capital	28	**122,977**	122,977	**122,977**	122,977
Treasury shares	28	**(11,720)**	(8,870)	**(11,720)**	(8,870)
Share premium	30	**24,302**	24,302	**24,302**	24,302
Merger reserve	29	**20,792**	20,792	**–**	–
Translation reserve	29	**(12,144)**	(17,484)	**–**	–
Revaluation reserve	29	**8,858**	8,858	**–**	–
Available-for-sale reserve	29	**362**	(56)	**(534)**	(553)
Retained profits		**205,494**	233,243	**240,244**	263,955
Equity attributable to equity holders of the Company		**358,921**	383,762	**375,269**	401,811
Non-controlling interest		**124,700**	111,883	**–**	–
TOTAL EQUITY		**483,621**	495,645	**375,269**	401,811
TOTAL EQUITY AND LIABILITIES		**1,247,370**	1,330,342	**377,789**	403,557

The accompanying notes form an integral part of the financial statements.

Statements of Changes In Equity
for the year ended 30 September 2016

Group	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Available-For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
	Attributable to equity holders of the Company										
	Non-Distributable							Distributable			
At 1 October 2015	**122,977**	**(8,870)**	**24,302**	**20,792**	**(17,484)**	**8,858**	**(56)**	**233,243**	**383,762**	**111,883**	**495,645**
Purchase of treasury shares (Note 28 (a))	**–**	**(2,850)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,850)**	**–**	**(2,850)**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,539)**	**(5,539)**	**24,683**	**19,144**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**5,340**	**–**	**418**	**–**	**5,758**	**384**	**6,142**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**5,340**	**–**	**418**	**(5,539)**	**219**	**25,067**	**25,286**
Dividends (Note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,210)**	**(22,210)**	**–**	**(22,210)**
Dividends to a non-controlling interest by a subsidiary company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,250)**	**(12,250)**
At 30 September 2016	**122,977**	**(11,720)**	**24,302**	**20,792**	**(12,144)**	**8,858**	**362**	**205,494**	**358,921**	**124,700**	**483,621**
At 1 October 2014	122,977	(7,214)	24,302	20,792	(774)	8,799	8,800	212,025	389,707	126,670	516,377
Purchase of treasury shares (Note 28 (a))	–	(1,656)	–	–	–	–	–	–	(1,656)	–	(1,656)
Net profit for the year	–	–	–	–	–	–	–	42,570	42,570	10,643	53,213
Other comprehensive income for the year	–	–	–	–	(16,710)	59	(8,856)	–	(25,507)	(1,469)	(26,976)
Total comprehensive income for the year	–	–	–	–	(16,710)	59	(8,856)	42,570	17,063	9,174	26,237
Dividends (Note 31)	–	–	–	–	–	–	–	(21,352)	(21,352)	–	(21,352)
Dividends to a non-controlling interest by a subsidiary company	–	–	–	–	–	–	–	–	–	(23,961)	(23,961)
At 30 September 2015	122,977	(8,870)	24,302	20,792	(17,484)	8,858	(56)	233,243	383,762	111,883	495,645

The accompanying notes form an integral part of the financial statements.

Statements of Changes In Equity
for the year ended 30 September 2016

Company	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Available-For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000
	← Attributable to equity holders of the Company →					
			← Non-Distributable →		Distributable	
At 1 October 2015	**122,977**	**(8,870)**	**24,302**	**(553)**	**263,955**	**401,811**
Purchase of treasury shares (Note 28 (a))	**–**	**(2,850)**	**–**	**–**	**–**	**(2,850)**
Net loss for the year	**–**	**–**	**–**	**–**	**(1,501)**	**(1,501)**
Other comprehensive income for the year	**–**	**–**	**–**	**19**	**–**	**19**
Total comprehensive loss for the year	**–**	**–**	**–**	**19**	**(1,501)**	**(1,482)**
Dividends (Note 31)	**–**	**–**	**–**	**–**	**(22,210)**	**(22,210)**
At 30 September 2016	**122,977**	**(11,720)**	**24,302**	**(534)**	**240,244**	**375,269**
At 1 October 2014	122,977	(7,214)	24,302	6,716	228,841	375,622
Purchase of treasury shares (Note 28 (a))	–	(1,656)	–	–	–	(1,656)
Net profit for the year	–	–	–	–	56,466	56,466
Other comprehensive loss for the year	–	–	–	(7,269)	–	(7,269)
Total comprehensive income for the year	–	–	–	(7,269)	56,466	49,197
Dividends (Note 31)	–	–	–	–	(21,352)	(21,352)
At 30 September 2015	122,977	(8,870)	24,302	(553)	263,955	401,811

Income Statements
for the year ended 30 September 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	32	**374,394**	464,844	**30,626**	42,640
Other operating income	33	**23,557**	64,307	**2**	31,242
		397,951	529,151	**30,628**	73,882
Changes in inventories		**(3,443)**	(2,848)	**–**	–
Gross premium ceded to reinsurers		**(109,057)**	(110,636)	**–**	–
Change in premium liabilities ceded to reinsurers	42	**873**	(14,423)	**–**	–
Premiums ceded to reinsurers		**(108,184)**	(125,059)	**–**	–
Gross claims paid		**(243,932)**	(249,595)	**–**	–
Claims ceded to reinsurers		**72,873**	71,936	**–**	–
Gross decrease/(increase) in insurance contract liabilities		**61,318**	(51,600)	**–**	–
Change in insurance contract liabilities ceded to reinsurers		**6,463**	15,327	**–**	–
Net claims incurred	34	**(103,278)**	(213,932)	**–**	–
Commission expenses	42	**(34,337)**	(39,148)	**–**	–
Staff costs	36	**(44,124)**	(41,500)	**(8,298)**	(7,220)
Depreciation		**(1,881)**	(1,797)	**(199)**	(124)
Amortisation	38	**(362)**	(632)	**(12)**	(12)
Other operating expenses	39	**(59,188)**	(38,250)	**(23,207)**	(8,921)
Operating profit/(loss)		**43,154**	65,985	**(1,088)**	57,605
Finance costs	40	**(3,341)**	(3,280)	**(405)**	(407)
Share of losses of associated companies (net of tax)		**(2,499)**	(433)	**–**	–
Profit/(loss) before taxation	41	**37,314**	62,272	**(1,493)**	57,198
Income tax expense	48	**(18,170)**	(9,059)	**(8)**	(732)
Net profit/(loss) for the year		**19,144**	53,213	**(1,501)**	56,466
Attributable to:					
Equity holders of the Company		**(5,539)**	42,570	**(1,501)**	56,466
Non-controlling interest		**24,683**	10,643	**–**	–
		19,144	53,213	**(1,501)**	56,466
(Loss)/earnings per share attributable to equity holders of the Company (sen)					
Basic	49	**(2.32)**	17.75		

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

for the year ended 30 September 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Net profit/(loss) for the year		**19,144**	53,213	**(1,501)**	56,466
Other comprehensive income/(loss):					
Items that may not be reclassified to income statements in subsequent periods:					
- Deferred tax in respect of revaluation reserve		**–**	115	**–**	–
Items that may be reclassified to income statements in subsequent periods:					
- Currency translation differences in respect of foreign operations		**5,340**	(16,710)	**–**	–
- Fair value changes on Available-for-sale ("AFS") financial assets		**1,050**	(11,456)	**19**	(7,269)
- Deferred tax		**(248)**	1,075	**–**	–
Net gain/(loss)		**802**	(10,381)	**19**	(7,269)
Other comprehensive income/(loss) for the year, net of tax	50	**6,142**	(26,976)	**19**	(7,269)
Total comprehensive income/(loss) for the year		**25,286**	26,237	**(1,482)**	49,197
Attributable to:					
Equity holders of the Company		**219**	17,063	**(1,482)**	49,197
Non-controlling interest		**25,067**	9,174	**–**	–
		25,286	26,237	**(1,482)**	49,197

Consolidated Statement of Cash Flows

for the year ended 30 September 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**37,314**	62,272
Adjustments for:			
Depreciation of property, plant and equipment	5	**1,881**	1,797
Amortisation of:			
- prepaid land lease payments	38	**4**	4
- intangible assets	38	**358**	628
Loss on disposal of property, plant and equipment	39	**217**	152
Property, plant and equipment written off	39	**21**	53
Intangible assets written off	39	**–**	1
Gain on fair value of investment properties	6	**(10)**	(180)
Gain on disposal of investments		**–**	(716)
Inventories of goods for resale written off	39	**53**	4
Allowance for inventories obsolescence	39	**–**	11
Impairment of AFS financial assets	39	**58**	2,125
Dividend income		**(5,081)**	(1,874)
Interest income		**(26,054)**	(34,055)
Income from Sukuk		**(10)**	(12)
Income from Islamic fixed deposits		**(4,402)**	(1,132)
Interest expense	40	**2,987**	2,933
Allowance for impairment:			
- an associated company	39	**3,475**	–
- property, plant and equipment	39	**–**	567
- intangible assets	39	**–**	1
- insurance receivables	39	**5**	752
- trade receivables	39	**778**	855
- other receivables	39	**–**	991
- reinsurance assets	39	**–**	1,839
Write back in allowance for impairment:			
- insurance receivables	39	**(314)**	(990)
- trade receivables	39	**(109)**	(4)
- other receivables		**(1)**	–
Non-allowable expenses		**436**	–
Bad debts written off of trade receivables	39	**148**	2
Share of losses of associated companies		**2,499**	433
Allowance for unutilised leave	36	**54**	289
Pension cost – defined benefit plan		**51**	55
Unrealised loss/(gain) on foreign exchange		**16,362**	(38,161)
Transfer to property, plant and equipment and intangible assets from inventories		**(13)**	(25)
Operating profit/(loss) before working capital changes		**30,707**	(1,385)

Consolidated Statement of Cash Flows
for the year ended 30 September 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd)			
Changes in working capital:			
Disposal of investments		**156,000**	1,016
Purchase of investments		**(186,000)**	(75,000)
Decrease in deposits and placements with financial institutions		**118,464**	155,590
(Increase)/decrease in loans		**(31,620)**	30,947
Increase in reinsurance assets		**(8,098)**	(904)
Decrease/(increase) in insurance receivables		**7,644**	(626)
Decrease/(increase) in trade and other receivables		**1,754**	(15,393)
Decrease/(increase) in inventories - goods for resale		**12**	(103)
Additional direct expenditure of/acquisition of land held for development		**(1,341)**	(37,386)
Decrease in insurance contract liabilities		**(82,308)**	(1,258)
Increase in insurance payables		**1,828**	3,740
Increase in payables		**2,523**	1,263
Cash generated from operations		**9,565**	60,501
Tax paid, net of tax refunded		**(12,453)**	(12,750)
Dividends received		**3,731**	1,216
Interest received		**27,756**	32,952
Income received from Sukuk		**10**	12
Income received from Islamic fixed deposits		**4,391**	1,132
Interest paid		**(2,814)**	(2,948)
Net cash generated from operating activities		**30,186**	80,115
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of associated companies		**(17,446)**	(8,229)
Purchase of property, plant and equipment	5(c)	**(648)**	(1,449)
Purchase of intangible assets		**(573)**	(454)
Purchase of investments		**(96,037)**	(1,854)
Maturities of Sukuk		**34**	47
Disposal of investments		**73,000**	–
Disposal of property, plant and equipment		**335**	396
Net cash used in investing activities		**(41,335)**	(11,543)

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows
for the year ended 30 September 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of treasury shares		**(2,850)**	(1,656)
Dividends paid		**(22,210)**	(25,195)
Dividends paid to a non-controlling interest		**(12,250)**	(23,961)
Decrease in hire purchase creditors		**(1,194)**	(792)
Net cash used in financing activities		**(38,504)**	(51,604)
Effects of exchange rate changes on cash and cash equivalents		**597**	3,848
Net (decrease)/increase in cash and cash equivalents		**(49,056)**	20,816
Cash and cash equivalents at beginning of year		**105,567**	89,667
Cash and cash equivalents at end of year		**56,511**	110,483
Cash and cash equivalents comprise the following:			
Cash and cash equivalents as previously reported	21	**56,511**	110,483
Effect of exchange rate changes		**–**	(4,916)
Cash and cash equivalents		**56,511**	105,567

Statement of Cash Flows

for the year ended 30 September 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(1,493)**	57,198
Adjustments for:			
Depreciation of property, plant and equipment	5	**199**	124
Allowance for impairment of:			
- amounts due from subsidiary companies	39	**1,866**	3,569
- investment in a subsidiary company	39	**–**	40
Amortisation of intangible assets	38	**12**	12
Loss on disposal of property, plant and equipment	39	**132**	37
Unrealised loss/(gain) on foreign exchange		**15,039**	(31,102)
Non-allowable expenses		**106**	–
Allowance for unutilised leave	36	**18**	158
Dividend income		**(13,900)**	(25,258)
Interest income		**(11,617)**	(13,673)
Income from Sukuk		**(10)**	(12)
Income from Islamic fixed deposits		**(279)**	(18)
Interest expense	40	**57**	66
Operating loss before working capital changes		**(9,870)**	(8,859)
Changes in working capital:			
Decrease in deposits and placements with financial institutions		**53,115**	42,159
(Increase)/decrease in receivables		**(85)**	62
Increase in due from subsidiary companies		**(51,664)**	(963)
(Decrease)/increase in due to subsidiary companies		**(5)**	24
Increase in payables		**49**	103
Cash (used in)/generated from operations		**(8,460)**	32,526
Tax paid		**(494)**	(1,087)
Dividends received		**13,740**	25,258
Interest received		**6,361**	9,137
Income received from Sukuk		**10**	12
Income received from Islamic fixed deposits		**268**	18
Interest paid		**(57)**	(66)
Net cash generated from operating activities		**11,368**	65,798
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(314)**	(65)
Purchase of intangible assets		**–**	(19)
Purchase of investments		**(92,000)**	(18,000)
Disposal of investments		**73,000**	–
Maturities of Sukuk		**34**	47
Disposal of property, plant and equipment		**160**	71
Net cash used in investing activities		**(19,120)**	(17,966)

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows
for the year ended 30 September 2016

	Note	2016 RM'000	2015 RM'000
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase of treasury shares		**(2,850)**	(1,656)
Dividends paid		**(22,210)**	(25,195)
Decrease in hire purchase creditors		**(258)**	(210)
Net cash used in financing activities		**(25,318)**	(27,061)
Net (decrease)/increase in cash and cash equivalents		**(33,070)**	20,771
Cash and cash equivalents at beginning of year		**44,631**	24,171
Cash and cash equivalents at end of year		**11,561**	44,942
Cash and cash equivalents comprise the following:			
Cash and cash equivalents as previously reported	21	**11,561**	44,942
Effect of exchange rate changes		**–**	(311)
Cash and cash equivalents		**11,561**	44,631

Notes to the Financial Statements
- 30 September 2016

1. CORPORATE INFORMATION

The Company is a public company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at the 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The principal activities of the Company are that of investment holding and the provision of management services.

The principal activities of the subsidiary companies are as disclosed in Note 11.

There were no significant changes in the principal activities of the Group and of the Company during the financial year.

The financial statements of the Group and of the Company were authorised for issue on 30 November 2016 pursuant to a resolution by the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost basis unless otherwise indicated in the significant accounting policies.

The financial statements of the insurance subsidiary company also comply with the Financial Services Act, 2013 and the Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("000") except when otherwise indicated.

(b) Subsidiaries, Associated Companies and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less any impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. All the subsidiary companies were accounted for using the acquisition method except for Pacific & Orient Insurance Co. Berhad, which was accounted for using the merger method of accounting.

Notes to the Financial Statements
- 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Subsidiaries, Associated Companies and Basis of Consolidation (Cont'd.)

(ii) Basis of Consolidation (Cont'd)

(a) Merger Method of Accounting

The merger method of accounting is used by the Group to account for business combinations under common control. Under the merger method of accounting, the results of the subsidiaries are included in the consolidated income statements as if the merger had been effected throughout the current financial year and previous financial years. On consolidation, the difference between the carrying value of the investment and the nominal value of shares issued is transferred to a merger reserve or deficit, as applicable.

(b) Acquisition Method of Accounting

The acquisition method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

(c) Non-Controlling Interest

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held directly or indirectly by the Group. Non-controlling interests are shown separately in the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of financial position.

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

Changes in the Group's equity interests in a subsidiary that do not result in loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in shareholders' equity. If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Subsidiaries, Associated Companies and Basis of Consolidation (Cont'd.)

(iii) Associated Companies

Associated companies are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies, but is not control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated companies or the investment becomes a subsidiary.

Under the equity method, investments in associated companies are carried at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated companies and impairment loss, if any.

Goodwill relating to the associated companies are included in the carrying amount of the investment and are not amortised. Conversely, any excess of the Group's share of the net fair value of the associated companies identifiable assets, liabilities and contingent liabilities over the cost of the investments are excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associated companies profit or loss in the period in which the investment is acquired.

The Group's share of the net profit or loss of the associated companies are recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associated companies, the Group recognises its share of such changes.

Unrealised gains and losses on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies.

When the Group's share of losses in the associated companies equals or exceeds its interest in the associated companies, including any long term interests that, in substance, form part of the Group's net investment in the associated companies, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

The most recent available financial statements of the associated companies are used by the Group in applying the equity method. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of an associated company, the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences of the associated company are recognised in the consolidated income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances for which different data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised into one of the three different levels of the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group and the Company analyse the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Group and the Company verify the major inputs in the latest valuation by agreeing the information to the relevant valuation reports and other related documents.

(d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and buildings and leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, Plant and Equipment and Depreciation (Cont'd)

Freehold land and buildings and leasehold buildings are stated at revalued amounts, which are the fair values at the date of the revaluation less subsequent accumulated depreciation (except for freehold land which has an unlimited useful life and therefore is not depreciated) and any subsequent accumulated impairment losses. Fair values are determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed once in every five years or earlier if the carrying values of the revalued properties are materially different from their market values. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same property previously recognised in income statement, in which case the increase is recognised in income statement to the extent of the decrease previously recognised.

A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same property and the balance is thereafter recognised in income statements. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount of the property. Upon disposal or retirement of a property, any revaluation reserve relating to the particular property is transferred directly to retained profits.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h)(ii).

The principal annual rates of depreciation are:

Buildings	2%
Computer equipment	10%
Motor vehicles	20%
Office equipment	10% - 20%
Furniture, fixtures and fittings	10% - 20%

The residual values, useful lives and depreciation methods are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statements and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is determined by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Revaluations are performed once in every three years or earlier if the carrying values of the revalued properties are materially different from their market values.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment Properties (Cont'd)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rental or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statements in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2 (d) up to the date of change in use.

(f) Intangible Assets

(i) Goodwill

Goodwill arising on business combination represents the excess of acquisition cost over the fair value of the net assets of the subsidiary companies at the date of acquisition. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Following the initial recognition, goodwill on business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Software Distribution Licence

Software distribution licence is amortised over a period of 20 years.

Notes to the Financial Statements
- 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible Assets (Cont'd)

(ii) Other Intangible Assets (Cont'd)

Club Memberships

Club memberships are amortised using the straight line method over a period of 30 to 78 years.

Computer Software and Other Licences

The useful lives of computer software and other licences are considered to be finite because computer software and licences are susceptible to technological obsolescence.

The acquired computer software and other licences are amortised using the straight line method over their estimated useful lives not exceeding 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

Preliminary and Pre-operating Expenses

Preliminary and pre-operating expenses are written off as and when incurred.

(g) Financial Instruments

A financial instrument is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Financial instruments are categorised and measured using accounting policies as mentioned below:

(i) Financial Assets

Financial assets are categorised and measured as follows:

(a) Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statements. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in the income statement as part of other losses or other income.

(b) Held-to-Maturity ("HTM") Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group and the Company have positive intention and ability to hold until maturity.

HTM investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investments. After initial recognition, HTM investments are measured at amortised cost, using the effective interest method less impairment loss. Gains and losses are recognised in the income statements when the investments are derecognised or impaired, as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (Cont'd)

(i) Financial Assets (Cont'd)

(c) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at cost plus transaction costs and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in the income statements when the receivables are derecognised or impaired, as well as through the amortisation process.

(d) Available-for-Sale ("AFS") Financial Assets

AFS financial assets are non-derivative financial assets not classified in any of the above categories.

AFS financial assets are initially measured at fair value plus transaction costs and are subsequently measured at their fair values.

Fair value gains or losses of AFS financial assets are recognised in AFS reserve in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in the income statements accordingly. The cumulative gain or loss previously recognised in equity is reclassified into the income statements when the AFS financial asset is derecognised.

Investments in equity instruments that are classified as AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment loss.

All financial assets, except those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2(h)(i).

(ii) Financial Liabilities

Financial liabilities are classified as either (a) financial liabilities at fair value through profit or loss or (b) other financial liabilities.

(a) Financial Liabilities at Fair Value Through Profit or Loss ("FVTPL")

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in income statements. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (Cont'd)

(ii) Financial Liabilities (Cont'd)

(b) Other Financial Liabilities

The Group's other financial liabilities comprise insurance payables, borrowings, trade payables and other payables.

Insurance payables, borrowings, trade payables and other payables are recognised initially at their respective fair values net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statements when the liabilities are derecognised, and through the amortisation process.

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs using the expected loss method. Subsequent to initial recognition, financial guarantee contracts are recognised as income in the income statement over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as issuers are required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(iv) Regular Way Purchase or Sale of Financial Assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

All the financial assets are recognised using trade date, the date that the Group and the Company commit to purchase or sell the assets except for debt instruments which are recognised using settlement date, the date the Group and the Company receives or delivers the asset.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the income statements.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment

(i) Financial Assets

The Group and the Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates; and the disappearance of an active market for that financial asset because of financial difficulties, which indicate that there is a measurable decrease in the estimated future cash flows.

(a) Financial Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on a financial asset carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the financial asset is reduced and the loss is recorded in the income statement.

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which the impairment loss is or continues to be recognised are not included in the collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, is transferred to the income statement.

Impairment loss in respect of an equity instrument classified as AFS financial asset is not reversed through the income statement in subsequent periods. Impairment loss on debt instruments classified as AFS financial asset is reversed through the income statement if the increase in the fair value of the debt instrument can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (Cont'd)

(ii) Non-Financial Assets

The carrying amounts of non-financial assets, other than inventories, investment properties and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement.

(iii) Investment in Subsidiary Companies and Investment in Associated Companies

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary company or associated company exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal.

Any subsequent reversal of an impairment loss is recognised in the income statement to the extent that the recoverable amount does not exceed its carrying value of the investment in subsidiary company or investment in associated company at the reversal date.

(i) Inventories

Inventories are stated at the lower of cost (determined on the first in, first out basis) and net realisable value, after making due allowance for any obsolete items.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Land Held for Development

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is classified as land held for development and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold land
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

(k) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its insurance businesses. Reinsurance assets represent balances due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

The Group also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or have expired or when the contract is transferred to another party.

(l) Insurance Receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration given. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Insurance Receivables (Cont'd)

Insurance receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance receivable's original effective interest rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2(h)(i)(a).

Insurance receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These cash and cash equivalents also include bank overdrafts that form an integral part of the Group's cash management. The statement of cash flow is prepared using the indirect method.

(n) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings (including subordinated notes) are initially recognised at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method. Any difference between the initial recognised amount and the redemption value is recognised in the income statement over the period of the borrowing.

(p) Equity Instruments

Ordinary shares are recorded at nominal value and proceeds received in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Costs incurred directly attributable to the issuance of shares are accounted for as a deduction from equity.

The consideration paid, including attributable transaction costs on purchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(q) Provisions

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Income Recognition

(i) Interest income on loans is recognised using the effective interest method.

(ii) Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

(iii) Interest income from money market instruments and deposits and placements with financial institutions are recognised using the effective interest method.

(iv) Dividends from subsidiary companies and other investments are recognised when the right to receive payment is established.

(v) Income from Islamic corporate bond is recognised using the effective interest method.

(vi) Revenue from computer projects is recognised on progress billings based on the percentage of completion method determined on the basis of services performed to date as a percentage of total services.

(vii) Revenue relating to sales of hardware and consumer goods are recognised when delivery has taken place and transfer of risks and rewards have been completed.

(viii) Maintenance contracts, commission income and other services are recognised upon completion of services rendered.

(s) Commission Expenses

Gross commission expenses, which are cost directly incurred in securing premium on insurance policies, are charged to the income statements in the period in which they are incurred.

(t) Product Classification

The insurance subsidiary company of the Group currently only issues contracts that transfer insurance risk.

An insurance contract is a contract under which the insurance subsidiary company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As general guideline, the insurance subsidiary company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life–time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, unearned premiums, claims incurred and commissions.

(i) Premium Income

Premium is recognised in a financial period in respect of risks assumed during that particular financial period. Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

(ii) Insurance Contract Liabilities

Insurance contract liabilities comprise premium liabilities and claims liabilities.

Premium Liabilities

Premium liabilities represent the future obligations on insurance contracts, as represented by premium received for unexpired risks.

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall level of the insurance subsidiary company.

- **UPR**

  UPR represents the portion of premium income not yet earned at reporting date. UPR is computed on the following bases:

  - 25% method for marine cargo, aviation cargo and transit
  - 1/24th method for fire, engineering and marine hull with a deduction of 15%, motor and bonds with a deduction of 10%, medical with a deduction of 10%-15% and all other classes of business with a deduction of 25% or actual commission incurred, whichever is lower
  - 1/8th method for a overseas inward treaty business with a deduction of 20% for acquisition cost
  - Non-annual policies with a duration of cover extending beyond one year is time apportioned over the period of the risks.

- **URR**

  URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

Claims Liabilities

Claims liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value of claims liabilities is based on the best estimate which include provision for claims reported, claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD calculated at 75% confidence level at the overall level of the insurance subsidiary company. The claims liabilities are calculated based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

Notes to the Financial Statements
- 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Liability Adequacy Test

At each reporting date, the Group reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of insurance contract liabilities. Any deficiency is recognised in the income statements.

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Group. Based on this, all insurance contract liabilities as at the reporting date are deemed to be adequate.

(w) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Allowance for unutilised leave such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Allowance for unutilised leave such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution pension plans are charged to profit or loss in the financial year in which they relate.

(iii) Defined Benefit Plan

A foreign subsidiary company has obligations to make severance payments to its employees upon their retirement. This subsidiary company records provision for severance payments when it is probable that employees will work until they meet all employment conditions or will remain with the subsidiary company until their retirement. The value of these severance payment obligations are arrived at based on best estimates and are considered immaterial.

(x) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

Notes to the Financial Statements
- 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(x) Foreign Currencies (Cont'd)

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the dates when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing at the dates of transactions.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statements for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statements. Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statements for the period. Exchange differences arising on monetary items that form part of the Company's net investment in a foreign operation, regardless of the currency of the monetary item, are recognised in the income statements in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rate prevailing at the date of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income tax payable in respect of the taxable profit for the year and is measured using the tax rates as enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, unabsorbed capital allowances and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in the income statement as income or expense, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(z) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases, with the following exceptions:

- A property held under an operating lease that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

Notes to the Financial Statements
- 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Leases (Cont'd)

(ii) Finance Leases – the Group as Lessee

Assets acquired by way of hire purchase agreements are stated at an amount equal to the lower of their fair values and the present value of the minimum payments at the inception of the agreements, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as hire purchase creditors. In calculating the present value of the minimum payments, the discount factor used is the interest rate implicit in the agreements, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are charged to the income statements.

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(d).

(iii) Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating Leases – the Group as Lessor

Assets leased out under operating leases are presented in the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on an accrual basis (Note 2(r)(ii)). Initial direct costs incurred in negotiating and arranging an operating lease are charged to the income statement.

(aa) Contingent Liabilities and Contingent Assets

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(ab) Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs

(a) The significant accounting policies adopted in preparing these audited financial statements are consistent with those of the audited financial statements for the financial year ended 30 September 2015.

(b) MFRSs and Amendments to MFRSs yet to be effective

The Group and the Company have not adopted the following MFRSs and Amendments to MFRSs which have been issued but are not yet effective. The Group and the Company intend to adopt these amendments, if applicable, when they become effective.

Effective for financial periods beginning on or after 1 January 2016

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

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)

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiative

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)
MFRS 15	Revenue from Contracts with Customers

Clarifications to MFRS 15 Revenue from Contracts with Customers

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

Notes to the Financial Statements
- 30 September 2016

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs (CONT'D)

(b) MFRSs and Amendments to MFRSs yet to be effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases

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 and Amendments to MFRSs stated above are not expected to result in significant financial impact to the Group and the Company, 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 and the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

- **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 and the Company are 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 and the Company are currently assessing the financial impact of adopting MFRS 16.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical Judgment Made in Applying Accounting Policies

The following is the judgment made by management in the process of applying the Group's accounting policies that has the most significant effect on the amount recognised in the financial statements.

(i) Classification between Investment Properties and Property, Plant and Equipment

The Group has developed certain criteria based on MFRS 140 : Investment Property in making judgment whether a property qualifies as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately.

If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Classification of Associated Companies

The Group has interest in several equity investments which it regards as associated companies although the Group owns less than 20% of the equity interest in these investees because of the significant influence the Group is able to exercise over their financial and operating policy decisions.

The determination as to whether significant influence exists in relation to the investments held by the Group is assessed after taking into account the Group's ability to appoint directors to the investee's board, its relative shareholding compared with other shareholders, any significant contracts or arrangements with the investee or its other shareholders and other relevant facts and circumstances. The application of this judgement in respect of the Group's investments is through representation on investee's board and ability to exercise significant influence over their financial and operating policies through powers vested in the shareholder agreement.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and Amortisation

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors which could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

Notes to the Financial Statements
- 30 September 2016

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(ii) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs and future market conditions. Changes in circumstances may lead to revisions in estimates and assumptions. This may result in changes to the recoverable amounts of assets and impairment losses.

(iii) Impairment of AFS Financial Assets

The Group reviews its financial assets classified as AFS financial assets at each reporting date to assess whether they are impaired. The Group also records impairment charges on AFS financial assets when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which fair value of the financial assets is less than its carrying amount. The Group impairs quoted and unquoted financial assets with "significant" decline in fair value greater than 30% based on the historical or expected volatility of fair values of its respective investments, or "prolonged" period of decline in fair value greater than 12 months.

(iv) Impairment of Loan and Receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers among other factors, the probability of insolvency or significant financial difficulties of the debtors.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(v) Uncertainty in Accounting Estimates in the General Insurance Business

The principal uncertainty in the general insurance business arises from technical provisions for premium and claims liabilities.

Premium liabilities comprise the higher of UPR or URR while claims liabilities comprise outstanding claims case estimates and Incurred But Not Reported ("IBNR") claims.

UPR is determined based on estimates of the portion of premium income not yet earned at reporting date whilst URR is determined based on estimates of expected future payments arising from future events insured under policies in force at reporting date, including expected future premium refunds.

Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretation, legislative changes, and claims handling procedures.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(b) Key Sources of Estimation Uncertainty (Cont'd)

(v) Uncertainty in Accounting Estimates in the General Insurance Business (Cont'd)

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claims liabilities may vary from the initial estimates.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties.

(vi) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other taxable temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Details of deferred tax assets are disclosed in Note 9 to the financial statements.

(vii) Fair Value Measurement of Financial Instruments

When the fair values of financial assets recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using relevant reports and related documents. A degree of judgment is required in establishing their fair values which include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) Impairment of Investment in Subsidiary Companies and Associated Companies

The Group assesses whether there is any indication that investments in subsidiary companies or associated companies may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts of the investment and the investment's estimated recoverable amounts.

(i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on net asset of the associated companies.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

Changes in circumstances may lead to revisions in estimates and assumptions. This may result in changes to recoverable amounts of the investments.

Notes to the Financial Statements
- 30 September 2016

5. PROPERTY, PLANT AND EQUIPMENT

Group	←Valuation	→	←	Cost			→	
	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2016								
Valuation/Cost								
At 1 October 2015	1,860	681	16,559	6,945	6,442	4,706	6,126	43,319
Additions	–	–	222	144	1,977	129	192	2,664
Disposals	–	–	–	–	(1,275)	–	–	(1,275)
Write-offs	–	–	–	(149)	–	(33)	(3)	(185)
Transfer from inventories	–	–	–	–	–	13	–	13
Translation differences	–	–	–	(16)	(64)	(53)	(99)	(232)
At 30 September 2016	1,860	681	16,781	6,924	7,080	4,762	6,216	44,304
Accumulated Depreciation and Impairment								
At 1 October 2015	–	60	2,139	6,239	2,589	4,151	5,224	20,402
Charge for the year	–	20	713	92	620	206	230	1,881
Disposals	–	–	–	–	(723)	–	–	(723)
Write-offs	–	–	–	(149)	–	(12)	(3)	(164)
Translation differences	–	–	–	(11)	(11)	(22)	(12)	(56)
At 30 September 2016	–	80	2,852	6,171	2,475	4,323	5,439	21,340
Net Book Value								
At 30 September 2016	1,860	601	13,929	753	4,605	439	777	22,964

Notes to the Financial Statements
- 30 September 2016

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Valuation: Freehold land RM'000	Valuation: Freehold buildings RM'000	Valuation: Leasehold buildings RM'000	Cost: Computer equipment RM'000	Cost: Motor vehicles RM'000	Cost: Office equipment RM'000	Cost: Furniture, fixtures and fittings RM'000	Total RM'000
2015								
Valuation/Cost								
At 1 October 2014	1,860	681	16,559	6,700	5,968	4,406	5,496	41,670
Additions	–	–	–	292	1,243	303	605	2,443
Disposals	–	–	–	(63)	(1,082)	(97)	–	(1,242)
Write-offs	–	–	–	(42)	–	(41)	(57)	(140)
Transfer from inventories	–	–	–	–	–	25	–	25
Translation differences	–	–	–	58	313	110	82	563
At 30 September 2015	1,860	681	16,559	6,945	6,442	4,706	6,126	43,319
Accumulated Depreciation and Impairment								
At 1 October 2014	–	40	1,426	6,210	2,502	3,762	4,583	18,523
Charge for the year	–	20	713	65	559	250	190	1,797
Impairment (Note 39)	–	–	–	11	–	142	414	567
Disposals	–	–	–	(57)	(552)	(85)	–	(694)
Write-offs	–	–	–	(41)	–	(21)	(25)	(87)
Translation differences	–	–	–	51	80	103	62	296
At 30 September 2015	–	60	2,139	6,239	2,589	4,151	5,224	20,402
Net Book Value								
At 30 September 2015	1,860	621	14,420	706	3,853	555	902	22,917

Notes to the Financial Statements
- 30 September 2016

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Cost				
	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2016					
Cost					
At 1 October 2015	**303**	**1,484**	**119**	**454**	**2,360**
Additions	**–**	**1,352**	**13**	**29**	**1,394**
Disposal	**–**	**(705)**	**–**	**–**	**(705)**
Write-offs	**(6)**	**–**	**–**	**–**	**(6)**
At 30 September 2016	**297**	**2,131**	**132**	**483**	**3,043**
Accumulated Depreciation					
At 1 October 2015	**294**	**518**	**85**	**374**	**1,271**
Charge for the year	**1**	**179**	**6**	**13**	**199**
Disposal	**–**	**(413)**	**–**	**–**	**(413)**
Write-offs	**(6)**	**–**	**–**	**–**	**(6)**
At 30 September 2016	**289**	**284**	**91**	**387**	**1,051**
Net Book Value					
At 30 September 2016	**8**	**1,847**	**41**	**96**	**1,992**
2015					
Cost					
At 1 October 2014	300	1,487	114	436	2,337
Additions	5	172	5	18	200
Disposal	–	(175)	–	–	(175)
Write-offs	(2)	–	–	–	(2)
At 30 September 2015	303	1,484	119	454	2,360
Accumulated Depreciation					
At 1 October 2014	294	478	80	364	1,216
Charge for the year	2	107	5	10	124
Disposal	–	(67)	–	–	(67)
Write-offs	(2)	–	–	–	(2)
At 30 September 2015	294	518	85	374	1,271
Net Book Value					
At 30 September 2015	9	966	34	80	1,089

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Freehold land and buildings and leasehold buildings of the Group were revalued as at 30 September 2012 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

The net book values of the freehold land and buildings and leasehold buildings of the Group had the cost model been applied, compared to the revaluation model as at 30 September 2016 are as follows:

		Net Book Value			
		2016		2015	
	Note	Under Revaluation Model RM'000	Under Cost Model RM'000	Under Revaluation Model RM'000	Under Cost Model RM'000
Freehold land		**1,860**	**380**	1,860	380
Freehold buildings		**601**	**255**	621	263
Leasehold buildings		**13,929**	**6,627**	14,420	6,947
	53	**16,390**	**7,262**	16,901	7,590

(b) The net book value of motor vehicles held under hire purchase agreements are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Motor vehicles	**4,851**	3,609	**1,838**	745

(c) During the year, the Group and the Company acquired property, plant and equipment by:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash	**648**	1,449	**314**	65
Hire purchase	**2,014**	991	**1,080**	135
Credit	**2**	3	**–**	–
	2,664	2,443	**1,394**	200

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6. INVESTMENT PROPERTIES

	Note	Group 2016 RM'000	Group 2015 RM'000
At fair value			
At 1 October 2015/2014		**1,020**	840
Gain on fair value adjustments	33	**10**	180
At 30 September		**1,030**	1,020
Analysed as:			
Freehold buildings		**695**	695
Leasehold buildings		**335**	325
	53	**1,030**	1,020

Investment properties were revalued as at 30 September 2016 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

The Group has assessed that the existing use of its investment properties is the most appropriate.

7. PREPAID LAND LEASE PAYMENTS

	Group 2016 RM'000	Group 2015 RM'000
Long term leasehold land:		
At 1 October 2015/2014	**306**	310
Amortisation (Note 38)	**(4)**	(4)
At 30 September	**302**	306

8. INTANGIBLE ASSETS

Group

	Club Membership RM'000	Software Distribution Licence RM'000	Computer Software and Other Licences RM'000	Total RM'000
2016				
Cost				
At 1 October 2015	**540**	**2,346**	**4,277**	**7,163**
Additions	**–**	**–**	**581**	**581**
Write-off	**–**	**(2,346)**	**–**	**(2,346)**
Translation differences	**(1)**	**–**	**(8)**	**(9)**
At 30 September 2016	**539**	**–**	**4,850**	**5,389**
Accumulated Amortisation and Impairment				
At 1 October 2015	**139**	**2,346**	**3,101**	**5,586**
Amortisation (Note 38)	**12**	**–**	**346**	**358**
Write-off	**–**	**(2,346)**	**–**	**(2,346)**
Translation differences	**–**	**–**	**(4)**	**(4)**
At 30 September 2016	**151**	**–**	**3,443**	**3,594**
Net Book Value				
At 30 September 2016	**388**	**–**	**1,407**	**1,795**
2015				
Cost				
At 1 October 2014	517	2,346	3,802	6,665
Additions	–	–	454	454
Write-offs	–	–	(2)	(2)
Translation differences	23	–	23	46
At 30 September 2015	540	2,346	4,277	7,163
Accumulated Amortisation and Impairment				
At 1 October 2014	127	2,346	2,469	4,942
Amortisation (Note 38)	10	–	618	628
Write-offs	–	–	(1)	(1)
Impairment (Note 39)	–	–	1	1
Translation differences	2	–	14	16
At 30 September 2015	139	2,346	3,101	5,586
Net Book Value				
At 30 September 2015	401	–	1,176	1,577

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8. INTANGIBLE ASSETS (CONT'D)

Company	Computer Software and Other Licences RM'000
2016	
Cost	
At 1 October 2015/ 30 September 2016	**216**
Accumulated Amortisation	
At 1 October 2015	**125**
Amortisation (Note 38)	**12**
At 30 September 2016	**137**
Net Book Value	
At 30 September 2016	**79**
2015	
Cost	
At 1 October 2014	197
Additions	19
At 30 September 2015	216
Accumulated Amortisation	
At 1 October 2014	113
Amortisation (Note 38)	12
At 30 September 2015	125
Net Book Value	
At 30 September 2015	91

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9. DEFERRED TAX ASSETS/(LIABILITIES)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 October 2015/2014		**(191)**	(370)	**489**	514
Transferred (from)/to income statement	48	**(151)**	(1,011)	**13**	(25)
- deferred tax assets		**24**	(1,103)	**10**	(19)
- deferred tax liabilities		**(175)**	92	**3**	(6)
Transferred to revaluation reserve	50	**–**	115	**–**	–
- deferred tax assets		**–**	(2)	**–**	–
- deferred tax liabilities		**–**	117	**–**	–
Transferred to AFS reserve	50	**(248)**	1,075	**–**	–
- deferred tax assets		**–**	1,746	**–**	–
- deferred tax liabilities		**(248)**	(671)	**–**	–
At 30 September		**(590)**	(191)	**502**	489

Reflected in the statements of financial position as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	**502**	489	**502**	489
Deferred tax liabilities	**(1,092)**	(680)	**–**	–
Net deferred tax (liabilities)/assets	**(590)**	(191)	**502**	489

The components of deferred tax assets and deferred tax liabilities during the year and in the previous year prior to offsetting are as follows:

		Group	
	Note	2016 RM'000	2015 RM'000
Deferred tax assets	9.1	**3,576**	3,552
Deferred tax liabilities	9.2	**(4,166)**	(3,743)
		(590)	(191)

		Company	
	Note	2016 RM'000	2015 RM'000
Deferred tax assets	9.3	**579**	569
Deferred tax liabilities	9.4	**(77)**	(80)
		502	489

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9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax assets during the year prior to offsetting are as follows:

9.1 Deferred Tax Assets of the Group:

2016	Revaluation Deficit RM'000	Premium Liabilities RM'000	Fair Value of AFS Financial Assets RM'000	Accumulated Impairment Loss RM'000	Unabsorbed Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 October 2015	**58**	**–**	**–**	**2,925**	**569**	**–**	**3,552**
Recognised in the income statement	**–**	**–**	**–**	**14**	**10**	**–**	**24**
At 30 September 2016	**58**	**–**	**–**	**2,939**	**579**	**–**	**3,576**
2015							
At 1 October 2014	60	5	(1,746)	2,214	588	1,790	2,911
Recognised in the income statement	–	(5)	–	711	(19)	(1,790)	(1,103)
- Arising during the year	–	(5)	–	800	5	(1,790)	(990)
- Arising from change in tax rate	–	–	–	(89)	(24)	–	(113)
Recognised in revaluation reserve	(2)	–	–	–	–	–	(2)
- Arising from change in tax rate	(2)	–	–	–	–	–	(2)
Recognised in AFS reserve	–	–	1,746	–	–	–	1,746
- Arising during the year	–	–	1,746	–	–	–	1,746
At 30 September 2015	58	–	–	2,925	569	–	3,552

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9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax liabilities during the year and in the previous year prior to offsetting are as follows:

9.2 Deferred Tax Liabilities of the Group:

	Premium Liabilities RM'000	Fair Value of AFS Financial Assets RM'000	Revaluation Surplus RM'000	Accelerated Capital Allowances RM'000	Total RM'000
2016					
At 1 October 2015	**(18)**	**(671)**	**(2,816)**	**(238)**	**(3,743)**
Recognised in the income statement	**(4)**	**–**	**–**	**(171)**	**(175)**
Recognised in AFS reserve	**–**	**(248)**	**–**	**–**	**(248)**
At 30 September 2016	**(22)**	**(919)**	**(2,816)**	**(409)**	**(4,166)**
2015					
At 1 October 2014	–	–	(2,933)	(348)	(3,281)
Recognised in the income statement	(18)	–	–	110	92
- Arising during the year	(18)	–	–	102	84
- Arising from change in tax rate	–	–	–	8	8
Recognised in revaluation reserve	–	–	117	–	117
- Arising from change in tax rate	–	–	117	–	117
Recognised in AFS reserve	–	(671)	–	–	(671)
- Arising during the year	–	(741)	–	–	(741)
- Arising from change in tax rate	–	70	–	–	70
At 30 September 2015	(18)	(671)	(2,816)	(238)	(3,743)

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9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax assets and deferred tax liabilities during the year and in the previous year prior to offsetting are as follows:

9.3 Deferred Tax Assets of the Company:

	Unabsorbed Capital Allowances RM'000	Total RM'000
2016		
At 1 October 2015	**569**	**569**
Recognised in the income statement	**10**	**10**
At 30 September 2016	**579**	**579**
2015		
At 1 October 2014	588	588
Recognised in the income statement	(19)	(19)
- Arising during the year	5	5
- Arising from change in tax rate	(24)	(24)
At 30 September 2015	569	569

9.4 Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances RM'000	Total RM'000
2016		
At 1 October 2015	**(80)**	**(80)**
Recognised in the income statement	**3**	**3**
At 30 September 2016	**(77)**	**(77)**
2015		
At 1 October 2014	(74)	(74)
Recognised in the income statement	(6)	(6)
- Arising during the year	(3)	(3)
- Arising from change in tax rate	(3)	(3)
At 30 September 2015	(80)	(80)

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

As at 30 September 2016, net deferred tax assets have not been recognised in respect of the following temporary differences:

	Group 2016 RM'000	Group 2015 RM'000
Depreciation and capital allowances on property, plant and equipment	**(1,813)**	(1,902)
Unabsorbed capital allowances and unused tax losses	**115,545**	113,407
Other deductible temporary differences	**(2,166)**	(3,191)
	111,566	108,314

The unabsorbed capital allowances and unused tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

10. INVESTMENTS

The Group's and the Company's investments have been categorised as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Available-for-sale ("AFS") financial assets:				
At fair value				
Quoted shares	**27,789**	27,400	**11,317**	11,476
Unit trusts	**138,772**	88,258	**37,295**	18,063
Unquoted shares	**4,037**	2,271	**–**	–
	170,598	117,929	**48,612**	29,539
Islamic corporate bonds	**–**	–	**–**	–
Total AFS financial assets (Note 53)	**170,598**	117,929	**48,612**	29,539

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10. INVESTMENTS (CONT'D)

The Group's and the Company's investments have been categorised as follows: (Cont'd)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
(b) Held-to-maturity ("HTM") investments:				
At amortised cost: *				
Subordinated Notes #	**–**	–	**34,776**	34,753
Sukuk	**146**	180	**146**	180
Total HTM investments	**146**	180	**34,922**	34,933
Total investments	**170,744**	118,109	**83,534**	64,472
*** At fair value:**				
Subordinated Notes	**–**	–	**34,776**	34,753
Sukuk	**146**	180	**146**	180

\# The Company's investments in Subordinated Notes ("Sub Notes") of RM34,776,000 (2015: RM34,753,000) are in respect of Sub Notes issued by its insurance subsidiary company. The Sub Notes were issued for a period of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

The carrying values of investments as at 30 September 2016 are as follows:

	Note	AFS financial assets RM'000	HTM investments RM'000	Total RM'000
Group				
At 1 October 2015		**117,929**	**180**	**118,109**
Additions		**282,948**	**–**	**282,948**
Disposals		**(229,000)**	**–**	**(229,000)**
Maturities		**–**	**(34)**	**(34)**
Reclassification of investment to associated companies	12	**(2,271)**	**–**	**(2,271)**
Fair value gain recorded in other comprehensive income	50	**1,050**	**–**	**1,050**
Impairment of AFS financial assets	39	**(58)**	**–**	**(58)**
At 30 September 2016		**170,598**	**146**	**170,744**

10. INVESTMENTS (CONT'D)

The carrying values of investments as at 30 September 2016 are as follows: (Cont'd)

	Note	AFS financial assets RM'000	HTM investments RM'000	Total RM'000
Company				
At 1 October 2015		**29,539**	**34,933**	**64,472**
Additions		**92,054**	**–**	**92,054**
Disposals		**(73,000)**	**–**	**(73,000)**
Maturities		**–**	**(34)**	**(34)**
Fair value gain recorded in other comprehensive income	50	**19**	**–**	**19**
Accretion of discount		**–**	**23**	**23**
At 30 September 2016		**48,612**	**34,922**	**83,534**

The carrying values of investments as at 30 September 2015 are as follows:

	Note	AFS financial assets RM'000	HTM investments RM'000	Total RM'000
Group				
At 1 October 2014		53,882	227	54,109
Additions		77,928	–	77,928
Disposals		(300)	–	(300)
Maturities		–	(47)	(47)
Fair value loss recorded in other comprehensive income	50	(11,456)	–	(11,456)
Impairment of AFS financial assets	39	(2,125)	–	(2,125)
At 30 September 2015		117,929	180	118,109
Company				
At 1 October 2014		18,808	34,952	53,760
Additions		18,000	–	18,000
Maturities		–	(47)	(47)
Fair value loss recorded in other comprehensive income	50	(7,269)	–	(7,269)
Accretion of discount		–	28	28
At 30 September 2015		29,539	34,933	64,472

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11. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares - at cost	**129,636**	129,636
Impairment losses	**(9,169)**	(9,169)
	120,467	120,467

The subsidiary companies are:

	Effective Interests 2016 %	Effective Interests 2015 %	Principal Activities
Incorporated in Malaysia			
Pacific & Orient Insurance Co. Berhad	**51**	51	General insurance business
P & O Technologies Sdn. Bhd.	**100**	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	**100**	100	Distribution of consumer goods and investing in start-up companies
P & O Capital Sdn. Bhd.	**100**	100	Money lending
P & O Global Technologies Sdn. Bhd.	**100**	100	Dealing in computer hardware, software and systems
P & O Resources Sdn. Bhd.	**100**	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd.	**100**	100	Dormant
P & O Nominees Services (Tempatan) Sdn. Bhd.	**100**	100	Dormant
P & O Properties Sdn. Bhd.	**100**	100	Dormant
Focus Internet Sdn. Bhd.	**100**	100	Dormant
P & O Equities Sdn. Bhd.	**100**	100	Investment holding
Incorporated in England and Wales			
Pacific & Orient Properties Ltd.*	**100**	100	Investing in real estate market and start-up companies

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11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are: (Cont'd)

	Effective Interests 2016 %	Effective Interests 2015 %	Principal Activities
Incorporated in the United States of America			
P & O Global Technologies, Inc. **	**100**	100	Information technology services, research and development, trading activities and property development
Subsidiary company of P & O Global Technologies Sdn. Bhd. - Incorporated in Thailand			
P & O Global Technologies (Thailand) Co., Ltd.**	**100**	100	Dealing in computer software and systems

* Subsidiary company audited by a member firm of Ernst & Young Global.
** Subsidiary companies not audited by Ernst & Young.

Financial information of a subsidiary company that has material non-controlling interest is provided below:

Portion of equity interest held by a non-controlling interest:	**2016**	**2015**
Non-controlling interest percentage of ownership interest and voting interest in Pacific & Orient Insurance Co. Berhad	**49%**	49%
Carrying amount of non-controlling interest (RM'000)	**124,700**	111,883

The summarised financial information of Pacific & Orient Insurance Co. Berhad is provided below. This information is based on amounts before inter-company eliminations.

(a) Summarised statement of financial position

	2016 RM'000	**2015 RM'000**
Total assets	**1,044,400**	1,091,846
Total liabilities	**(789,908)**	(863,513)
Total equity	**254,492**	228,333

(b) Summarised income statement

	2016 RM'000	**2015 RM'000**
Revenue	**357,395**	449,099
Net profit for the year attributable to:		
Equity holders of the Company	**25,692**	11,077
Non-controlling interest	**24,683**	10,643
	50,375	21,720

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11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Financial information of a subsidiary company that has material non-controlling interest is provided below: (Cont'd)

(c) Summarised statement of comprehensive income

	2016 RM'000	2015 RM'000
Net profit for the year	**50,375**	21,720
Other comprehensive income/(loss)	**784**	(2,997)
Total comprehensive income for the year	**51,159**	18,723
Attributable to:		
Equity holders of the Company	**26,092**	9,549
Non-controlling interest	**25,067**	9,174
	51,159	18,723
Dividends paid to non-controlling interest	**12,250**	23,961

(d) Summarised statement of cash flows

	2016 RM'000	2015 RM'000
Net cash generated from:		
Operating activities	**12,654**	70,614
Investing activities	**(1,116)**	(335)
Financing activities	**(25,275)**	(49,261)
Net (decrease)/increase in cash and cash equivalents	**(13,737)**	21,018
Cash and cash equivalents at beginning of year	**25,011**	3,993
Cash and cash equivalents at end of year	**11,274**	25,011

12. INVESTMENT IN ASSOCIATED COMPANIES

	Note	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares outside Malaysia - at cost		**25,675**	8,229
Reclassified from AFS financial assets	10	**2,271**	–
Translation difference		**(2,136)**	1,869
Group's share of losses of associated companies		**(2,932)**	(433)
		22,878	9,665
Allowance for impairment *		**(3,475)**	–
		19,403	9,665

* During the year, the Group has impaired the carrying amount by RM3,475,000 due to uncertainties concerning the expected recovery of the Group's ownership interest in an associated company.

12. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

Summary of financial information of the Group investment in associated companies that are not individually material are as follows:

	Group	
	2016 RM'000	2015 RM'000
Loss for the year	**(2,499)**	(433)
Total comprehensive loss for the year	**(2,499)**	(433)

The investment in the associated companies are considered to be immaterial to the Group. Details of the associated companies are as follow:

	Effective Interests		
	2016 %	2015 %	Principal Activities
Incorporated in Singapore			
Associated company of Pacific & Orient Distribution Sdn. Bhd.			
Hiringboss Holdings Pte. Ltd.**	**13.80**	–	Engage in the business of information technology and computer service activities
Incorporated in England and Wales			
Associated companies of Pacific & Orient Properties Ltd.			
Fast2Fibre (Holdings) Ltd. **	**30.00**	30.00	Fibre optic cabling and extraction of cable core
Cloudbanter Ltd.**	**20.97**	16.87#	Development of software
Cross-Flow Energy Ltd.**	**19.45**	–	Development of wind turbines
Silicon Markets Ltd.**	**10.00**	–	Provision of algorithmic trading tools and services

\# Cloudbanter Ltd. was acquired through piecemeal basis.
** Associated companies not audited by Ernst & Young.

Although the Group holds less than 20% of the voting power in some of these companies, these companies are considered to be associated companies because of the significant influence the Group is able to exercise over their financial and operating policy decisions.

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13. INVENTORIES – GOODS FOR RESALE

	Group	
	2016 RM'000	**2015 RM'000**
Inventories - at cost	**497**	619
Allowance for inventory obsolescence	**–**	(57)
	497	562

14. LAND HELD FOR DEVELOPMENT

	Group	
	2016 RM'000	**2015 RM'000**
Cost:		
Freehold land	**29,442**	29,442
Translation difference	**4,908**	7,386
Direct expenditure	**1,862**	558
At 30 September	**36,212**	37,386

15. LOANS

	Group	
	2016 RM'000	**2015 RM'000**
Loans:		
- secured loans	**31,702 ***	44
- unsecured loans	**205**	243
	31,907	287
Due within one year	**30,331**	38
Due after one year	**1,576**	249
	31,907	287

The interest rates on loans were between 6.80% and 12.00% (2015 : 6.80% and 9.50%) per annum.

* The loans are secured by way of land and building, bank accounts, debentures, shares and corporate guarantees.

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16. REINSURANCE ASSETS

	Group 2016 RM'000	Group 2015 RM'000
Reinsurance of insurance contracts		
Claims liabilities (Note 22.1)	**184,253**	177,790
Premium liabilities (Note 22.2)	**39,836**	38,963
	224,089	216,753
Allowance for impairment	**(1,077)**	(1,839)
	223,012	214,914

17. INSURANCE RECEIVABLES

	Note	Group 2016 RM'000	Group 2015 RM'000
Outstanding premiums including agents', brokers' and co-insurers' balances	17.1	**4,656**	5,160
Due from reinsurers and ceding companies	17.2	**14,568**	21,707
		19,224	26,867
Allowance for impairment		**(1,448)**	(1,757)
		17,776	25,110

Insurance receivables that have been offset against the insurance payables are as follows:

17.1 Outstanding premiums including agents', brokers' and co-insurers' balances	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
2016			
Premiums	**5,918**	**–**	**5,918**
Commission payables	**–**	**(1,901)**	**(1,901)**
Claims recoveries	**639**	**–**	**639**
	6,557	**(1,901)**	**4,656**
2015			
Premiums	6,678	–	6,678
Commission payables	–	(2,157)	(2,157)
Claims recoveries	639	–	639
	7,317	(2,157)	5,160

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17. INSURANCE RECEIVABLES (CONT'D)

Insurance receivables that have been offset against the insurance payables are as follows: (Cont'd)

17.2 Due from reinsurers and ceding companies	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
2016			
Premiums ceded	**864**	**–**	**864**
Commission receivables	**8,448**	**–**	**8,448**
Claims recoveries	**5,256**	**–**	**5,256**
	14,568	**–**	**14,568**
2015			
Premiums ceded	–	(2,134)	(2,134)
Commission receivables	11,601	–	11,601
Claims recoveries	12,240	–	12,240
	23,841	(2,134)	21,707

18. RECEIVABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables:				
Trade receivables	**3,861**	1,886	**–**	–
Allowance for impairment	**(1,581)**	(917)	**–**	–
	2,280	969	**–**	–
Other receivables:				
Accrued income	**6,533**	8,519	**714**	1,266
Share of assets held by Malaysian Motor Insurance Pool ("MMIP") (1)	**62,482**	67,772	**–**	–
Deposits and prepayments	**2,532**	2,709	**73**	75
Tax recoverable (2)	**3,786**	3,852	**363**	–
Claims recoverable from co–insurers	**443**	469	**–**	–
Others	**4,296**	2,401	**320**	231
	80,072	85,722	**1,470**	1,572

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18. RECEIVABLES (CONT'D)

(1) This includes the insurance subsidiary company's contribution of RM7,011,576 and RM27,347,770 to MMIP following cash calls made by the Pool during the current and previous financial years respectively. The contributions were made in respect of the insurance subsidiary company's share of MMIP's accumulated losses up to 31 December 2014.

On 29 August 2016, the insurance subsidiary company's has received a surplus distribution of RM9,000,000 for the year ended 2015 from MMIP.

(2) This include the allowable double tax deduction on the contribution made in respect of MMIP's first cash call of RM1,420,579 (2015: RM5,682,315).

The Group's normal trade credit term is up to 60 days. Other credit terms are assessed and approved on a case by case basis.

19. DUE FROM SUBSIDIARY COMPANIES

The currency exposure profile of the amounts due from subsidiary companies was as follows:

The amounts due from subsidiary companies are payable on demand, unsecured and interest-free, except for the amount of RM104,341,000 (2015 : RM102,792,000) which bear interest between 4.75% and 10.25% (2015 : 4.75% and 10.25%) per annum.

Company

2016	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
Ringgit Malaysia	**60,230**	**(22,875)**	**37,355**
United States Dollars	**92,779**	**(19,527)**	**73,252**
Thai Baht	**5,054**	**–**	**5,054**
Great Britain Pound	**42,726**	**(5,362)**	**37,364**
	200,789	**(47,764)**	**153,025**

2015	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
Ringgit Malaysia	24,209	(22,875)	1,334
United States Dollars	93,335	(19,527)	73,808
Thai Baht	3,483	–	3,483
Great Britain Pound	37,031	(3,496)	33,535
	158,058	(45,898)	112,160

The amounts granted to subsidiary companies are for investment and working capital purposes.

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20. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Licensed banks	**582,363**	700,826	**5,159**	58,275

Deposits and placements with financial institutions of the Group with maturities of more than three months are disclosed as deposit and placements with financial institutions. Deposits and placements with original maturities of less than three months are disclosed as cash and bank balances under Note 21.

Included in deposits and placements of the Group is an amount of RM95,000 (2015 : RM93,000) representing placements of deposits received from insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

The range of effective interest rates per annum of deposits and placements with financial institutions at the reporting date was as follows:

	Group		Company	
	2016 %	**2015 %**	**2016 %**	**2015 %**
Licensed banks	**3.70 – 4.50**	3.25 – 4.25	**4.50**	3.90 – 4.25

21. CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash and bank balances	**21,327**	39,207	**2,821**	530
Short-term deposits and placements with financial institutions	**35,184**	71,276	**8,740**	44,412
	56,511	110,483	**11,561**	44,942

Deposits of RM659,000 (2015 : RM638,000) for the Group have been pledged as securities for credit facilities granted to the Group.

The range of effective interest rates per annum of bank balances, short-term deposits and placements with financial institutions at the reporting date was as follows:

	Group		Company	
	2016 %	**2015 %**	**2016 %**	**2015 %**
Licensed banks	**0 – 3.60**	0.05 – 3.90	**0 – 3.60**	0.05-3.50

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22. INSURANCE CONTRACT LIABILITIES

	2016			2015		
	Gross RM'000	Reinsurance RM'000 (Note 16)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 16)	Net RM'000
Group						
General insurance	**689,090**	**(224,089)**	**465,001**	771,398	(216,753)	554,645

The general insurance contract liabilities and its movements are further analysed as follows:

		2016			2015		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group							
Provision for claims reported by policyholders		**356,225**	**(113,429)**	**242,796**	414,724	(131,750)	282,974
Provision for Incurred But Not Reported ("IBNR") claims		**159,958**	**(56,162)**	**103,796**	160,354	(32,537)	127,817
Provision of Risk Margin for Adverse Deviation ("PRAD")		**38,096**	**(14,662)**	**23,434**	40,519	(13,503)	27,016
Claims liabilities	22.1	**554,279**	**(184,253)**	**370,026**	615,597	(177,790)	437,807
Premium liabilities	22.2	**134,811**	**(39,836)**	**94,975**	155,801	(38,963)	116,838
		689,090	**(224,089)**	**465,001**	771,398	(216,753)	554,645

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22. INSURANCE CONTRACT LIABILITIES (CONT'D)

22.1 CLAIMS LIABILITIES

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
At 1 October 2015/2014	**615,597**	**(177,790)**	**437,807**	563,997	(162,463)	401,534
Claims incurred for the current accident year (direct and facultative)	**103,235**	**(29,458)**	**73,777**	220,720	(51,284)	169,436
Adjustment to claims incurred in prior accident years (direct and facultative)	**120,799**	**(35,833)**	**84,966**	144,666	(36,892)	107,774
Claims incurred during the year (treaty inwards claims)	**(39,744)**	**(20,962)**	**(60,706)**	(53,474)	–	(53,474)
Movement in PRAD of claims liabilities at 75% confidence level	**(386)**	**5,310**	**4,924**	(5,055)	(314)	(5,369)
Movement in claims handling expenses	**(1,290)**	**1,607**	**317**	(5,662)	1,227	(4,435)
Claims paid during the year	**(243,932)**	**72,873**	**(171,059)**	(249,595)	71,936	(177,659)
At 30 September	**554,279**	**(184,253)**	**370,026**	615,597	(177,790)	437,807

22.2 PREMIUM LIABILITIES

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
At 1 October 2015/2014	**155,801**	**(38,963)**	**116,838**	208,660	(53,386)	155,274
(Decrease)/increase in premium liabilities:						
- Premium written during the year	**303,357**	**(109,057)**	**194,300**	362,570	(110,636)	251,934
- Premium earned during the year	**(324,347)**	**108,184**	**(216,163)**	(415,429)	125,059	(290,370)
	(20,990)	**(873)**	**(21,863)**	(52,859)	14,423	(38,436)
At 30 September	**134,811**	**(39,836)**	**94,975**	155,801	(38,963)	116,838

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23. INSURANCE PAYABLES

	Note	Group 2016 RM'000	Group 2015 RM'000
Due to reinsurers and ceding companies	23.1	**14,344**	12,142
Due to agents, brokers, co-insurers and insureds	23.2	**2,711**	3,085
		17,055	15,227

Insurance payables that have been offset against the insurance receivables are as follows:

23.1 Due to reinsurers and ceding companies

	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
2016			
Premiums ceded	**36,909**	**–**	**36,909**
Commission receivables	**–**	**(4,170)**	**(4,170)**
Claims recoveries	**–**	**(18,395)**	**(18,395)**
	36,909	**(22,565)**	**14,344**
2015			
Premiums ceded	20,581	–	20,581
Commission receivables	–	(454)	(454)
Claims recoveries	–	(7,985)	(7,985)
	20,581	(8,439)	12,142

23.2 Due to agents, brokers, co–insurers and insureds

	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
2016			
Premiums	**3,759**	**–**	**3,759**
Commission payables	**–**	**(1,048)**	**(1,048)**
	3,759	**(1,048)**	**2,711**
2015			
Premiums	4,048	–	4,048
Commission payables	–	(963)	(963)
	4,048	(963)	3,085

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24. PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables:				
Refund premiums	**42**	136	**–**	–
Share of non-insurance contract liabilities held by MMIP	**812**	839	**–**	–
Payables - Extended Warranty Programme	**–**	489	**–**	–
Others	**152**	119	**–**	–
	1,006	1,583	**–**	–
Other payables:				
Accruals	**5,445**	3,573	**750**	648
Allowance for unutilised leave	**1,155**	1,117	**313**	295
Collateral deposits	**1,941**	97	**–**	–
Stamp duty payable	**834**	1,020	**–**	–
Unearned income	**905**	868	**–**	–
Accrual of directors' fees	**608**	548	**170**	189
Service tax payable	**–**	19	**–**	–
Unclaimed monies	**93**	213	**–**	–
Goods and services tax payables	**65**	223	**–**	18
Others	**1,698**	1,822	**–**	15
	12,744	9,500	**1,233**	1,165

The normal trade credit terms granted to the Group is up to 90 days.

25. DUE TO SUBSIDIARY COMPANIES

The currency exposure profile of the amounts due from subsidiary companies was as follows:

The amount due to subsidiary companies are payable on demand, unsecured and interest-free.

	Company	
	2016 RM'000	2015 RM'000
Ringgit Malaysia	**5**	7
United States Dollars	**29**	31
Thai Baht	**14**	15
	48	53

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26. HIRE PURCHASE CREDITORS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum payments are as follows:				
Not later than 1 year	**1,184**	791	**413**	163
Later than 1 year and not later than 2 years	**1,562**	1,140	**602**	210
Later than 2 years and not later than 5 years	**574**	489	**358**	78
Total future minimum lease payments	**3,320**	2,420	**1,373**	451
Less : Future finance charges	**(309)**	(230)	**(134)**	(34)
Present value of hire purchase creditors	**3,011**	2,190	**1,239**	417

Analysis of present value of hire purchase creditors:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Not later than 1 year	**1,036**	692	**358**	146
Later than 1 year and not later than 2 years	**1,405**	976	**537**	195
Later than 2 years and not later than 5 years	**570**	522	**344**	76
	3,011	2,190	**1,239**	417
Amount due within 1 year	**(1,036)**	(692)	**(358)**	(146)
Amount due after 1 year	**1,975**	1,498	**881**	271

The hire purchase agreements at the reporting date bear interest at between 2.45% and 11.55% (2015 : 2.45% and 4.91%) per annum.

27. BORROWINGS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Secured:				
Revolving credits (a)	**200**	200	**–**	–
Unsecured:				
Sub Notes (b)	**33,949**	33,794	**–**	–
	34,149	33,994	**–**	–

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27. BORROWINGS (CONT'D)

Analysis of repayment period of total borrowings are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount due within 1 year	**200**	200	**–**	–
Amount due within 2 to 5 years	**–**	–	**–**	–
Amount due more than 5 years	**33,949**	33,794	**–**	–
	34,149	33,994	**–**	–

(a) Revolving credit facilities

The revolving credit facilities of a subsidiary company is secured by a deposit of the said subsidiary company of RM659,000 (2015 : RM638,000). The revolving credit facilities of the subsidiary company bore interest at 6.25% (2015 : 6.44%) per annum.

The revolving credit facilities of the subsidiary company are due to mature within 1 year.

(b) Sub Notes

During the financial year ended 30 September 2012, the insurance subsidiary company established a Sub Notes Programme with an aggregate nominal value of RM150,000,000 issuable in tranches.

The first tranche of Sub Notes was issued on 27 June 2012 with a nominal value of RM70,000,000 at a discounted subscription price of RM99.05. The Sub Notes were issued for a period of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the Company as disclosed in Note 10 whilst the remaining RM35,000,000 were subscribed by a third party.

28. SHARE CAPITAL

	Group/Company			
	Number of shares		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised ordinary shares of RM0.50 each:				
At 1 October 2015/2014 /30 September	**400,000**	400,000	**200,000**	200,000
Issued and fully paid ordinary shares:				
Ordinary shares of RM0.50 each:				
At 1 October 2015/2014 /30 September	**245,954**	245,954	**122,977**	122,977

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28. SHARE CAPITAL (CONT'D)

(a) Treasury Shares

	Group/Company			
	Number of shares		Amount *	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
At 1 October 2015/2014	**6,949**	5,740	**8,870**	7,214
Purchased	**2,186**	1,209	**2,850**	1,656
At 30 September	**9,135**	6,949	**11,720**	8,870

* This amount includes acquisition costs of treasury shares.

The shareholders of the Company, by a special resolution passed at a general meeting held on 1 March 2016, approved the renewal of the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 2,186,200 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 consideration of RM2,849,713. 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.

Details of the shares purchased during the financial year are as follows:

Shares purchased

Month	Price per share (RM)			Number of shares purchased	Total consideration*
	Lowest	Highest	Average	('000)	RM'000
December 2015	1.44	1.44	1.48	1	1
April 2016	1.33	1.34	1.35	46	62
May 2016	1.30	1.32	1.32	75	99
June 2016	1.30	1.32	1.32	98	129
July 2016	1.29	1.31	1.30	540	705
August 2016	1.28	1.31	1.30	1,367	1,777
September 2016	1.29	1.29	1.30	59	77
Total shares purchased				2,186	2,850

* This amount includes acquisition costs of treasury shares.

There was no cancellation of treasury shares during the financial year.

29. RESERVES (NON-DISTRIBUTABLE)

(a) Merger Reserve

Merger reserve arose from the business combination exercise of the insurance subsidiary company in financial year 1995 which was accounted for using the merger method of accounting.

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29. RESERVES (NON-DISTRIBUTABLE) (CONT'D)

(b) Translation Reserve

Translation reserve is in respect of exchange differences arising from translation of financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

(c) Revaluation Reserve

Revaluation reserve is in respect of increases in the fair value of freehold land, freehold and leasehold buildings classified as property, plant and equipment (Note 5 (a)).

(d) Available-For-Sale ("AFS") Reserve

AFS reserve is in respect of unrealised gains or losses arising from changes in fair values of financial instruments classified as available-for-sale, net of tax.

30. SHARE PREMIUM

	Group/Company	
	2016 RM'000	**2015 RM'000**
At 1 October 2015/2014 /30 September	**24,302**	24,302

31. DIVIDENDS

The amount of dividends paid or declared by the Company on ordinary shares of RM0.50 each are as follows:

	Group/Company		
	Sen per share	**Total amount RM'000**	**Date of payment**
2016			
In respect of the financial year ended 30 September 2016:			
1st interim single tier dividend of 2.00 sen per share, declared on 4 November 2015	**2.00**	**4,780**	4 December 2015
2nd interim single tier dividend of 2.00 sen per share, declared on 15 December 2015	**2.00**	**4,780**	20 January 2016
3rd interim single tier dividend of 1.50 sen per share, declared on 5 February 2016	**1.50**	**3,585**	16 March 2016
4th interim single tier dividend of 1.30 sen per share, declared on 19 April 2016	**1.30**	**3,107**	25 May 2016
5th interim single tier dividend of 2.50 sen per share, declared on 11 July 2016	**2.50**	**5,958**	10 August 2016
	9.30	**22,210**	

31. DIVIDENDS (CONT'D)

The Board of Directors had on 5 October 2016 declared a sixth interim single tier dividend of 1.20 sen per share in respect of the financial year ended 30 September 2016, paid on 9 November 2016. This dividend has not been reflected in the financial statements for the current year ended 30 September 2016 but will be accounted for in equity as an appropriation of retained profits for the next financial year ending 30 September 2017.

	Group/Company		
	Sen per share	Total amount RM'000	Date of payment
2015			
In respect of the financial year ended 30 September 2015:			
1st interim single tier dividend of 2.20 sen per share, declared on 28 November 2014	2.20	5,285	30 December 2014
2nd interim single tier dividend of 1.30 sen per share, declared on 7 January 2015	1.30	3,120	12 February 2015
3rd interim single tier dividend of 1.70 sen per share, declared on 13 March 2015	1.70	4,080	15 April 2015
4th interim single tier dividend of 0.80 sen per share, declared on 14 May 2015	0.80	1,920	17 June 2015
5th interim single tier dividend of 1.80 sen per share, declared on 8 June 2015	1.80	4,317	5 July 2015
6th interim single tier dividend of 1.10 sen per share, declared on 18 August 2015	1.10	2,630	18 September 2015
	8.90	21,352	

All dividends of the Company are paid on the issued ordinary shares (net of treasury shares).

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32. REVENUE

Revenue of the Group represents gross earned premium and investment income (inclusive of amortisation of premiums, net of accretion of discounts) of the insurance subsidiary company, sales of goods and services, interest income on loans granted and investment income of the Company. Revenue of the Company represents interest income on advances to subsidiary companies, investment income and fees for the provision of management services.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross earned premium (Note 35)	**324,347**	415,429	**–**	–
Gross dividends:				
- shares quoted in Malaysia	**402**	1,216	**–**	319
- unit trusts	**4,679**	658	**1,150**	–
- subsidiary company	**–**	–	**12,750**	24,939
Interest income:				
- subsidiary companies	**–**	–	**10,720**	9,146
- deposits and placements with financial institutions	**22,311**	32,050	**897**	4,527
- loans to third parties	**3,434**	1,751	**–**	–
Income from Sukuk	**10**	12	**10**	12
Income from Islamic fixed deposit	**4,402**	1,132	**279**	18
Rental income from investment properties	**43**	43	**–**	–
Malaysian Motor Insurance Pool ("MMIP") investment income	**3,216**	3,179	**–**	–
Malaysian Reinsurance Berhad ("MRB") investment income	**65**	–	**–**	–
Sale of goods and services	**11,485**	9,374	**–**	–
Management service fees	**–**	–	**4,820**	3,679
	374,394	464,844	**30,626**	42,640

33. OTHER OPERATING INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Commission income	**23,051**	24,113	**–**	–
Interest income	**309**	254	**–**	–
Gain on fair value adjustments on investment properties (Note 6)	**10**	180	**–**	–
Realised gains:				
- AFS financial assets:				
- Quoted shares	**–**	716	**–**	–
Gain on foreign exchange:				
- unrealised	**–**	38,161	**–**	31,102
- realised	**–**	82	**–**	20
Insurance policy transfer fees	**51**	98	**–**	–
Others	**136**	703	**2**	120
	23,557	64,307	**2**	31,242

34. NET CLAIMS INCURRED

	Group 2016 RM'000	Group 2015 RM'000
Gross claims paid	**243,932**	249,595
Claims ceded to reinsurers	**(72,873)**	(71,936)
Net claims paid	**171,059**	177,659
Gross (decrease)/increase in insurance contract liabilities:		
At end of year (Note 22.1)	**554,279**	615,597
At beginning of year	**615,597**	563,997
	(61,318)	51,600
Change in insurance contract liabilities ceded to reinsurers:		
At end of year (Note 22.1)	**(184,253)**	(177,790)
At beginning of year	**(177,790)**	(162,463)
	(6,463)	(15,327)
Net claims incurred	**103,278**	213,932

35. GROSS EARNED PREMIUM

	Group 2016 RM'000	Group 2015 RM'000
Gross premium	**303,357**	362,570
Change in premium liabilities (Note 42)	**20,990**	52,859
Gross earned premium (Note 32)	**324,347**	415,429

36. STAFF COSTS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Salaries, wages and bonus	**36,911**	33,654	**6,850**	5,871
Allowance for unutilised leave	**54**	289	**18**	158
Pension cost:				
- defined contribution plan	**3,986**	3,761	**802**	725
- defined benefit plan	**51**	55	**–**	–
Staff general insurance	**551**	460	**44**	45
Staff training	**956**	1,042	**312**	86
Staff welfare	**440**	1,164	**49**	131
Other staff related expenses	**1,175**	1,075	**223**	204
	44,124	41,500	**8,298**	7,220

Included in staff costs of the Group and of the Company are executive directors' remuneration (excluding benefits-in-kind) amounting to RM3,961,000 (2015 : RM3,398,000) and RM1,827,000 (2015 : RM1,605,000) respectively as further disclosed in Note 37.

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37. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company				
Executive/chief executive officer:				
Salaries and other remuneration	**1,142**	998	**1,102**	958
Bonus	**409**	355	**409**	355
Pension cost – defined contribution plan	**196**	172	**196**	172
Benefits-in-kind	**245**	19	**245**	19
Allowance	**120**	120	**120**	120
	2,112	1,664	**2,072**	1,624
Non-Executive:				
Fees	**320**	339	**170**	189
Directors of Subsidiary Companies				
Executive/chief executive officer:				
Salaries and other remuneration	**1,601**	1,334	**–**	–
Bonus	**157**	187	**–**	–
Allowance for unutilised leave	**(8)**	17	**–**	–
Pension cost:				
- Defined contribution plan	**109**	105	**–**	–
- Defined benefit plan	**27**	24	**–**	–
Other short-term benefits	**172**	50	**–**	–
Benefits-in-kind	**53**	39	**–**	–
Allowances	**36**	36	**–**	–
	2,147	1,792	**–**	–
Non-Executive:				
Fees	**248**	169	**–**	–
Benefits-in-kind	**7**	–	**–**	–
Total	**4,834**	3,964	**2,242**	1,813
Analysis excluding benefits-in-kind:				
Total executive directors' remuneration (Note 36)	**3,961**	3,398	**1,827**	1,605
Total non-executive directors' remuneration (Note 39)	**568**	508	**170**	189
Total directors' remuneration excluding benefits-in-kind	**4,529**	3,906	**1,997**	1,794

38. AMORTISATION

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Amortisation of:					
- intangible assets	8	**358**	628	**12**	12
- prepaid land lease payments	7	**4**	4	**–**	–
		362	632	**12**	12

39. OTHER OPERATING EXPENSES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Other operating expenses include:					
Auditors' remuneration:					
- statutory audit		**479**	443	**77**	75
- other regulatory related services		**175**	36	**5**	5
Non-executive directors' remuneration	37	**568**	508	**170**	189
Property, plant and equipment written off		**21**	53	**–**	–
Intangible assets written off		**–**	1	**–**	–
Allowance for inventory obsolescence		**–**	11	**–**	–
Inventories - goods for resale written off		**53**	4	**–**	–
Impairment of AFS financial assets	10	**58**	2,125	**–**	–
Rental of office equipment		**2,273**	2,361	**329**	329
Office rental:					
- subsidiary company		**–**	–	**256**	256
- others		**2,299**	2,147	**–**	–
Loss on foreign exchange:					
- unrealised		**16,362**	–	**15,039**	–
- realised		**240**	–	**358**	–
Loss on disposal of property, plant and equipment		**217**	152	**132**	37
Allowance for impairment:					
- an associated company	12	**3,475**	–	**–**	–
- property, plant and equipment	5	**–**	567	**–**	–
- intangible assets	8	**–**	1	**–**	–
- insurance receivables	55 (a)	**5**	752	**–**	–
- trade receivables	55 (a)	**778**	855	**–**	–
- reinsurance assets		**–**	1,839	**–**	–
- other receivables		**–**	991	**–**	–
- investment in subsidiary companies		**–**	–	**–**	40
- amounts due from a subsidiary company	55 (a)	**–**	–	**1,866 #**	3,569

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39. OTHER OPERATING EXPENSES (CONT'D)

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Write back in allowance for impairment:					
- insurance receivables	55 (a)	**(314)**	(990)	**–**	–
- trade receivables	55 (a)	**(109)**	(4)	**–**	–
- other receivables		**(1)**	–	**–**	–
Bad debts written off					
- trade receivables		**148**	2	**–**	–
Bad debts recovered					
- insurance receivables		**–**	(28)	**–**	–

\# During the year, an impairment loss of RM1,866,000 (2015: RM3,569,000) was recognised in respect of one of the Company's subsidiary company as its carrying amount exceeded its recoverable amount.

40. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expense	**2,987**	2,933	**57**	66
Others	**354**	347	**348**	341
	3,341	3,280	**405**	407

41. PROFIT/(LOSS) BEFORE TAXATION

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Determined as follows:					
Insurance subsidiary company	42	**68,505**	30,006	**–**	–
Others		**(20,381)**	56,348	**(1,493)**	57,198
Before consolidation		**48,124**	86,354	**(1,493)**	57,198
Consolidation adjustments		**(8,311)**	(23,649)	**–**	–
After consolidation		**39,813**	62,705	**(1,493)**	57,198
Share of losses of associated companies (net of tax)		**(2,499)**	(433)	**–**	–
		37,314	62,272	**(1,493)**	57,198

42. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

		Group	
		2016	**2015**
	Note	**RM'000**	**RM'000**
Revenue		**357,395**	449,099
Gross premiums		**303,357**	362,570
Change in premium liabilities	35	**20,990**	52,859
Gross earned premiums		**324,347**	415,429
Gross premiums ceded to reinsurers		**(109,057)**	(110,636)
Change in premium liabilities ceded to reinsurers		**873**	(14,423)
Premiums ceded to reinsurers		**(108,184)**	(125,059)
Net earned premiums		**216,163**	290,370
Investment income	43	**33,048**	33,670
Realised (loss)/gains	44	**(76)**	660
Commission income		**23,051**	24,113
Other operating expenses	47	**(309)**	(2,227)
Other income		**55,714**	56,216
Gross claims paid		**(243,932)**	(249,595)
Claims ceded to reinsurers		**72,873**	71,936
Gross decrease/(increase) in insurance contract liabilities		**61,318**	(51,600)
Change in insurance contract liabilities ceded to reinsurers		**6,463**	15,327
Net claims incurred		**(103,278)**	(213,932)
Commission expense		**(34,337)**	(39,148)
Management expenses	45	**(60,199)**	(57,998)
Finance costs		**(5,558)**	(5,502)
Other expenses		**(100,094)**	(102,648)
Profit before taxation	41	**68,505**	30,006

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43. INVESTMENT INCOME - INSURANCE SUBSIDIARY COMPANY

	Group	
	2016	**2015**
	RM'000	**RM'000**
Dividend income:		
- shares quoted in Malaysia	**403**	897
- unit trusts	**3,529**	658
Interest income:		
- deposits and placements with financial institutions	**21,413**	27,523
Income from Islamic fixed deposits	**4,123**	1,114
Rental income from investment properties	**299**	299
Investment income from:		
- MMIP	**3,216**	3,179
- MRB	**65**	–
	33,048	33,670

44. REALISED (LOSS)/GAINS - INSURANCE SUBSIDIARY COMPANY

	Group	
	2016	**2015**
	RM'000	**RM'000**
Realised (losses)/gains for:		
- AFS financial assets:		
- Quoted shares	**–**	716
- Property, plant and equipment	**(71)**	(66)
- Foreign exchange	**(5)**	10
	(76)	660

45. MANAGEMENT EXPENSES - INSURANCE SUBSIDIARY COMPANY

	Group	
	2016	**2015**
	RM'000	**RM'000**
Executive director/chief executive officer remuneration (Note 46)	**956**	953
Staff salaries and bonus	**18,594**	18,032
Allowance for unutilised leave	**(4)**	90
Staff pension cost – defined contribution plan	**2,349**	2,280
Other staff benefits	**1,448**	1,650
Depreciation of property, plant and equipment	**1,078**	1,106
Auditors' remuneration:		
- statutory audit	**185**	191
- other regulatory related services	**170**	30
Amortisation:		
- prepaid land lease payments	**4**	4
- intangible assets	**198**	437
Non-executive directors' remuneration (Note 46)	**408**	329
Directors' training	**54**	50
Balance carried forward	**25,440**	25,152

45. MANAGEMENT EXPENSES - INSURANCE SUBSIDIARY COMPANY (CONT'D)

	Group	
	2016 RM'000	2015 RM'000
Balance carried forward	**25,440**	25,152
Allowance for impairment:		
- insurance receivables	**5**	752
- other receivables	**–**	991
- reinsurance assets	**–**	1,839
Write back in allowance for impairment:		
- insurance receivables	**(314)**	(990)
- other receivables	**(1)**	–
Bad debts recovered	**–**	(28)
Rental of properties	**771**	734
Call centre service charges	**642**	809
Rental of equipment	**4,434**	4,215
Printing and information system expenses	**13,771**	11,466
Business development	**4,371**	1,234
Credit card charges	**3,049**	3,718
Office administration and utilities	**1,706**	2,000
Share of MMIP expenses	**631**	592
Professional fees	**1,285**	1,390
Motor vehicle expenses	**634**	685
Road Transport Department access fees	**388**	581
Other expenses	**3,387**	2,858
	60,199	57,998

46. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION- INSURANCE SUBSIDIARY COMPANY

	Group	
	2016 RM'000	2015 RM'000
Executive director/chief executive officer *:		
- salaries	**676**	612
- bonus	**157**	187
- defined contribution plan	**105**	100
- benefits-in-kind	**35**	34
- allowance for unutilised leave	**(18)**	18
- allowances	**36**	36
	991	987
Non-executive directors:		
- fee (Note 45)	**408**	329
- benefits-in-kind	**7**	5
Total directors' remuneration	**1,406**	1,321
Total executive director/chief executive officer remuneration excluding benefits-in-kind (Note 45)	**956**	953

* Chief executive officer resigned as executive director effective from 29 January 2016.

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47. OTHER OPERATING EXPENSES - INSURANCE SUBSIDIARY COMPANY

	Group	
	2016 RM'000	2015 RM'000
Impairment of AFS financial assets	**(58)**	(2,125)
Sundry expenses	**108**	584
Goods and services tax charged on unexpired premium	**–**	(629)
Gain on fair value adjustments on investment properties	**10**	180
Property, plant and equipment written off	**(1)**	(5)
Other expenses	**(368)**	(232)
	(309)	(2,227)

48. INCOME TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
Current year's provision				
- Malaysian tax	**17,594**	8,486	**37**	710
- Foreign tax	**12**	27	**–**	–
Under/(over) provision in prior years	**413**	(1,751)	**(16)**	(3)
	18,019	6,762	**21**	707
Over provision of double tax deduction in respect of cash contribution to Malaysian Motor Insurance Pool ("MMIP") in prior year	**–**	1,286	**–**	–
Deferred tax (Note 9):				
Relating to timing differences	**152**	(338)	**(12)**	22
(Under)/over provision in prior years	**(1)**	1,349	**(1)**	3
Transferred to/(from) deferred taxation	**151**	1,011	**(13)**	25
	18,170	9,059	**8**	732

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015 : 25%) of the estimated assessable profit for the year.

48. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group	
	2016 **RM'000**	**2015** **RM'000**
Profit before taxation	**37,314**	62,272
Taxation at Malaysian statutory tax rate of 24% (2015 : 25%)	**8,955**	15,568
Effects of different tax rates in other countries	**556**	191
Effects of change in tax rate from 25% to 24%	**–**	56
Double tax deduction in respect of cash contribution to MMIP	**–**	(2,340)
Income not subject to tax	**(2,505)**	(10,152)
Expenses not deductible for tax purposes	**9,246**	3,968
Foreign tax	**12**	27
Effects of share of losses of associated companies	**600**	108
Deferred tax asset not recognised during the year	**2,159**	2,299
Under/(over) provision of tax expense in prior years	**413**	(1,751)
(Under)/over provision of deferred tax in prior years	**(1)**	1,349
Over provision of double tax deduction in respect of cash contribution to MMIP in prior years	**–**	1,286
Deferred tax income arising from timing differences	**–**	(1,020)
Consolidation adjustments	**217**	252
Utilisation of previous years' unused tax losses and unabsorbed capital allowances	**(1,621)**	(688)
Translation differences	**139**	(94)
Tax expense for the year	**18,170**	9,059

	Company	
	2016 **RM'000**	**2015** **RM'000**
(Loss)/profit before taxation	**(1,493)**	57,198
Taxation at Malaysian statutory tax rate of 24% (2015 : 25%)	**(358)**	14,300
Effects of change in tax rate from 25% to 24%	**–**	20
Income not subject to tax	**(4,627)**	(15,428)
Expenses not deductible for tax purposes	**5,010**	1,840
Over provision of tax expense in prior years	**(16)**	(3)
(Under)/over provision of deferred tax in prior years	**(1)**	3
Tax expense for the year	**8**	732

- As at 30 September 2016, the Company has unabsorbed capital allowances of approximately RM2,412,000 (2015 : RM2,374,000), subject to agreement with the Inland Revenue Board, which can be used to offset future taxable profits arising from business income.

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49. (LOSS)/EARNINGS PER SHARE (sen)

Basic

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit for the year by the weighted average number of ordinary shares in issue during the financial year.

		Group	
		2016	**2015**
Net (loss)/profit for the year attributable to equity holders of the Company	(RM'000)	**(5,539)**	42,570
Weighted average number of ordinary shares in issue	('000)	**238,550**	239,834
Basic (loss)/earnings per share	(sen)	**(2.32)**	17.75

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares at the reporting date.

50. OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
- Deferred tax in respect of revaluation reserve (Note 9)	**–**	115	**–**	–
- Currency translation differences in respect of foreign operations	**5,340**	(16,710)	**–**	–
- Fair value changes on Available-for-sale ("AFS") financial assets:				
- Gain/(loss) in fair value changes	**992**	(10,896)	**19**	(7,269)
- Transfer to income statement upon disposal	**–**	(560)	**–**	–
- Impairment reclassified to income statement	**58**	–	**–**	–
	1,050	(11,456)	**19**	(7,269)
- Deferred tax (Note 9)	**(248)**	1,075	**–**	–
Net gain/(loss)	**802**	(10,381)	**19**	(7,269)
Other comprehensive income/(loss) for the year, net of tax	**6,142**	(26,976)	**19**	(7,269)

51. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The significant transactions of the Group and the Company with its related parties are as follows:

	Company	
	2016	**2015**
	RM'000	**RM'000**
Subsidiary companies - Income:		
Interest income on loans	**8,028**	6,457
Interest income on Subordinated Notes	**2,667**	2,660
Management fee income	**4,820**	3,679
Subsidiary companies - Expenditure:		
Office rental	**256**	256
Rental of office equipment	**317**	319
Information technology advisory services	**1,038**	1,038

	Group	
	2016	**2015**
	RM'000	**RM'000**
Substantial shareholder of the insurance subsidiary company - Expenditure:		
Actuarial fees	**185**	184

Information regarding outstanding balances arising from related party transactions and subsidiary companies as at 30 September 2016 are as disclosed in Notes 19 and 27.

The Directors are of the opinion that the related party transactions above have been entered into in the normal course of business on terms and conditions which are not materially different from that obtainable in transactions with unrelated parties.

(b) Key Management Personnel Compensation

The key management personnel are defined as executive directors. The remuneration of key management personnel during the financial year are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term employee benefits:				
- Salaries and other remuneration	**2,743**	2,332	**1,102**	958
- Bonus	**566**	542	**409**	355
- Allowance for unutilised leave	**(8)**	17	–	–
- Benefits-in-kind	**298**	58	**245**	19
- Allowances	**156**	156	**120**	120
Post-employment benefits:				
- Pension cost:				
- defined contribution plan	**305**	277	**196**	172
- defined benefit plan	**27**	24	**–**	–
Other short-term benefits	**172**	50	**–**	–
	4,259	3,456	**2,072**	1,624

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52. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and contracted for				
- Property, plant and equipment	**–**	259	**–**	259

(b) Contingent liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Performance guarantees – secured	**177**	189	**–**	–
Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**–**	–	**5,176**	3,787
	177	189	**5,176**	3,787

(c) Non-cancellable operating lease commitments

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum lease payments are as follows:				
Not later than 1 year	**5,158**	4,704	**89**	150
Later than 1 year and not later than 5 years	**5,255**	5,426	**56**	89
	10,413	10,130	**145**	239

These represent operating lease commitments for computer and office equipment, and office rental of the Group and of the Company.

53. FAIR VALUE

(i) Fair value of financial instruments

(a) The carrying amounts of financial assets of the Group and of the Company at reporting date approximate their fair values and therefore no disclosure is required.

(b) The carrying amounts of financial liabilities of the Group and of the Company at reporting date approximate their fair values except as set out below:

	Group		Company	
	Carrying amount RM'000	**Fair Value RM'000**	**Carrying amount RM'000**	**Fair Value RM'000**
2016				
Financial liabilities				
Hire purchase creditors	**3,011**	**3,095**	**1,239**	**1,269**
2015				
Financial liabilities				
Hire purchase creditors	2,190	2,248	417	421

(c) The following methods and assumptions are used to estimate the fair values of financial instruments that are carried at fair value:

(i) Cash and bank balances, deposits and placements with financial institutions, bankers acceptances, insurance receivables/payables, trade and other receivables/payables, loans receivable and short term borrowings.

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Sukuk

The fair values of Sukuk are indicative values obtained from the secondary markets.

(iii) Quoted Shares

The fair value of quoted shares are determined by reference to the stock exchange quoted market bid prices at the close of the business on the reporting date.

(iv) Unquoted Shares

The fair value of unquoted shares is measured at cost, being the fair value of the consideration paid for the acquisition of the shares.

(v) Unit Trusts

The fair value of quoted units in the unit trust funds are determined by reference to market quotations by the manager of the unit trust funds.

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53. FAIR VALUE (CONT'D)

(i) Fair value of financial instruments (Cont'd)

(c) The following methods and assumptions are used to estimate the fair values of financial instruments that are carried at fair value: (Cont'd)

(vi) Sub Notes

The fair value of the Sub Notes is determined by the present value of the estimated future cash flows at the end of the tenure of the Sub Notes.

The carrying amount of Sub Notes approximate its fair value.

(vii) Hire Purchase Creditors

The fair value of hire purchase creditors is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

The carrying amounts of hire purchase creditors approximate their fair values.

(d) The financial instruments are categorised into the following levels of fair value hierarchy:

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016					
Group					
AFS financial assets					
Quoted shares		27,789	–	–	27,789
Unquoted shares		–	4,037	–	4,037
Unit trusts		138,772	–	–	138,772
Islamic corporate bonds		–	–	–	–
	10(a)	166,561	4,037	–	170,598

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016					
Company					
AFS financial assets					
Quoted shares		11,317	–	–	11,317
Unit trusts		37,295	–	–	37,295
	10(a)	48,612	–	–	48,612

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53. FAIR VALUE (CONT'D)

(i) Fair value of financial instruments (Cont'd)

(d) The financial instruments are categorised into the following levels of fair value hierarchy: (Cont'd)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Group				
AFS financial assets				
Quoted shares	27,400	–	–	27,400
Unquoted shares	–	2,271	–	2,271
Unit trusts	88,258	–	–	88,258
Islamic corporate bonds (a)	–	–	–	–
	115,658	2,271	–	117,929

(a) Reconciliation of movement in Level 3 of the fair value hierarchy is as follows:

	RM'000
At 1 October 2014	2,125
Impairment loss (Note 39)	(2,125)
At 30 September 2015	–

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Company				
AFS financial assets				
Quoted shares	11,476	–	–	11,476
Unit trusts	18,063	–	–	18,063
	29,539	–	–	29,539

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53. FAIR VALUE (CONT'D)

(ii) Fair value of property, plant and equipment and investment properties

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016					
Group					
Property, plant and equipment					
- Freehold land		**–**	**–**	**1,860**	**1,860**
- Freehold buildings		**–**	**–**	**601**	**601**
- Leasehold buildings		**–**	**–**	**13,929**	**13,929**
	5	**–**	**–**	**16,390**	**16,390**
Investment properties					
- Freehold buildings		**–**	**–**	**695**	**695**
- Leasehold buildings		**–**	**–**	**335**	**335**
	6	**–**	**–**	**1,030**	**1,030**
2015					
Group					
Property, plant and equipment					
- Freehold land		–	–	1,860	1,860
- Freehold buildings		–	–	621	621
- Leasehold buildings		–	–	14,420	14,420
	5	–	–	16,901	16,901
Investment properties					
- Freehold buildings		–	–	695	695
- Leasehold buildings		–	–	325	325
	6	–	–	1,020	1,020

The fair value of the property, plant and equipment and investment properties of the Group are categorised as Level 3. The investment properties have been revalued based on valuations performed by an accredited independent valuer. The valuations are based on comparison method. In arriving at the fair value of the assets, the valuer had taken into account the sales of similar properties and related market data, and established a value estimate by processes involving comparisons. In general, the properties being valued is compared with sales of similar properties that have been transacted in the open market.

54. INSURANCE RISK

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Insurance contracts transfer risk to the Group by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events.

The Group underwrites various general insurance contracts which are mostly on an annual coverage and annual premium basis with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Group also underwrites some non-annual policies with coverage period more than one year such as Contractor's All Risks and Engineering, Bonds and Workmen Compensation.

The majority of the insurance business written by the Group is Motor and Personal Accident insurance. Other insurance business includes Fire, Contractor's All Risks and Engineering, Workmen Compensation, Professional Indemnity and other miscellaneous classes of insurance.

The principal insurance risks faced by the Group include risks of actual claims and benefit payments differing from expectation, risks arising from natural disasters, risks arising from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves. For longer tail claims that take some years to settle, there is also inflation risk.

The Group's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Group seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

The Group has the following policies and processes to manage its insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on underwriting capacity and authority to individuals based on their specific expertise.

- A claims management and control system to pay claims and control claim wastage or fraud.

- Claim review policies to assess all new and ongoing claims and possible fraudulent claims are investigated to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

- The Group purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to control exposure to insurance losses, reduce volatility and optimising the Group's capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

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54. INSURANCE RISK (CONT'D)

The table below sets out the concentration of the Group's general insurance business by type of insurance products:

General insurance business

	2016			2015		
	Gross earned premium RM'000	Reinsurance RM'000	Net RM'000	Gross earned premium RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**259,509**	**(60,589)**	**198,920**	355,780	(88,156)	267,624
Personal Accident	**18,643**	**(795)**	**17,848**	21,153	(1,291)	19,862
Fire	**2,227**	**(993)**	**1,234**	1,811	(810)	1,001
Miscellaneous	**43,968**	**(45,807)**	**(1,839)**	36,685	(34,802)	1,883
	324,347	**(108,184)**	**216,163**	415,429	(125,059)	290,370

The table below sets out the concentration of the Group's insurance contract liabilities by type of insurance products:

Premium liabilities

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**117,367**	**(32,355)**	**85,012**	136,437	(28,252)	108,185
Personal Accident	**1,249**	**(239)**	**1,010**	5,414	(119)	5,295
Fire	**98**	**(21)**	**77**	761	(303)	458
Miscellaneous	**16,097**	**(7,221)**	**8,876**	13,189	(10,289)	2,900
	134,811	**(39,836)**	**94,975**	155,801	(38,963)	116,838

Claims liabilities

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**482,718**	**(122,741)**	**359,977**	556,847	(130,859)	425,988
Personal Accident	**3,279**	**(137)**	**3,142**	4,432	(123)	4,309
Fire	**277**	**(115)**	**162**	853	(337)	516
Miscellaneous	**68,005**	**(61,260)**	**6,745**	53,465	(46,471)	6,994
	554,279	**(184,253)**	**370,026**	615,597	(177,790)	437,807

54. INSURANCE RISK (CONT'D)

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, discounting factors, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The independent actuarial firm engaged by the Group re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contracts.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2016		←	Increase / (decrease)		→
Average claim cost	+1%	**5,026**	**3,183**	**(3,183)**	**(2,419)**
Average number of claim	+1%	**5,026**	**3,183**	**(3,183)**	**(2,419)**
Average claims settlement period	decreased by 6 months	**9,083**	**6,043**	**(6,043)**	**(4,593)**
2015					
Average claim cost	+1%	6,156	4,378	(4,378)	(3,284)
Average number of claim	+1%	6,156	4,378	(4,378)	(3,284)
Average claims settlement period	decreased by 6 months	9,390	6,254	(6,254)	(4,691)

* Impact on equity reflects adjustments for tax, where applicable.

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting date, together with cumulative payments to-date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Group believes that the estimate of total claims outstanding as of 30 September 2016 is adequate. However, the possibility of inadequacy of such balance should not be ruled out as the actual experience is likely to differ from the projected results to different degrees, depending on the level of uncertainty. This is primarily due to the nature of the reserving process and the elements of uncertainty inherent in the exercise.

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54. INSURANCE RISK (CONT'D)

Gross general insurance contract liabilities for 2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		244,459	248,638	258,790	253,244	241,788	235,691	223,370	
One year later		224,613	258,486	262,480	256,276	280,037	208,308	–	
Two years later		248,128	281,919	282,396	294,416	262,636	–	–	
Three years later		256,861	293,549	308,747	286,821	–	–	–	
Four years later		262,994	309,098	295,232	–	–	–	–	
Five years later		269,245	295,180	–	–	–	–	–	
Six years later		260,814	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		**260,814**	**295,180**	**295,232**	**286,821**	**262,636**	**208,308**	**223,370**	
At end of accident year		(53,559)	(56,982)	(59,518)	(52,326)	(47,235)	(36,239)	(32,100)	
One year later		(128,273)	(139,326)	(142,024)	(136,129)	(121,759)	(91,019)	–	
Two years later		(176,648)	(205,996)	(209,829)	(197,270)	(176,978)	–	–	
Three years later		(217,237)	(249,908)	(249,427)	(242,006)	–	–	–	
Four years later		(238,251)	(269,248)	(269,004)	–	–	–	–	
Five years later		(245,950)	(277,947)	–	–	–	–	–	
Six years later		(250,116)	–	–	–	–	–	–	
Cumulative payments to-date		**(250,116)**	**(277,947)**	**(269,004)**	**(242,006)**	**(176,978)**	**(91,019)**	**(32,100)**	
Gross general insurance outstanding liability (direct and facultative)	39,481	10,698	17,233	26,228	44,815	85,658	117,289	191,270	532,672
Gross general insurance outstanding liability (treaty inward)									1,870
Best estimate of claims liabilities									534,542
Claims handling expenses									5,793
PRAD at 75% confidence level									40,110
Effects of discounting									(26,166)
Gross general insurance contract liabilities per statement of financial position									554,279

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54. INSURANCE RISK (CONT'D)

Net general insurance contract liabilities for 2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		200,596	173,248	168,193	168,742	174,718	178,631	172,639	
One year later		191,470	177,930	178,771	174,031	207,249	152,783	–	
Two years later		209,032	189,370	186,995	196,815	183,247	–	–	
Three years later		217,861	196,436	205,905	185,345	–	–	–	
Four years later		222,440	206,294	191,100	–	–	–	–	
Five years later		227,766	189,923	–	–	–	–	–	
Six years later		215,993	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		215,993	189,923	191,100	185,345	183,247	152,783	172,639	
At end of accident year		(47,979)	(41,748)	(42,761)	(36,504)	(36,192)	(28,124)	(25,086)	
One year later		(111,233)	(99,202)	(99,449)	(94,298)	(89,377)	(69,408)	–	
Two years later		(153,500)	(143,286)	(143,610)	(135,787)	(129,214)	–	–	
Three years later		(186,845)	(170,062)	(169,660)	(160,090)	–	–	–	
Four years later		(203,916)	(183,153)	(180,600)	–	–	–	–	
Five years later		(210,536)	(188,266)	–	–	–	–	–	
Six years later		(213,083)	–	–	–	–	–	–	
Cumulative payments to-date		(213,083)	(188,266)	(180,600)	(160,090)	(129,214)	(69,408)	(25,086)	
Net general insurance outstanding liabilities (direct and facultative)	31,634	2,910	1,657	10,500	25,255	54,033	83,375	147,553	356,917
Net general insurance outstanding liability (treaty inward)									293
Best estimate of claims liabilities									357,210
Claims handling expenses									3,668
PRAD at 75% confidence level									24,584
Effects of discounting									(15,436)
Net general insurance contract liabilities per statement of financial position									370,026

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54. INSURANCE RISK (CONT'D)

Gross general insurance contract liabilities for 2015:

Accident year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year		196,979	244,459	248,638	258,790	253,244	241,788	235,691	
One year later		219,140	224,613	258,486	262,480	256,276	280,037	–	
Two years later		229,690	248,128	281,919	282,396	294,416	–	–	
Three years later		240,169	256,861	293,549	308,747	–	–	–	
Four years later		243,320	262,994	309,098	–	–	–	–	
Five years later		242,235	269,245	–	–	–	–	–	
Six years later		242,298	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		242,298	269,245	309,098	308,747	294,416	280,037	235,691	
At end of accident year		(50,154)	(53,559)	(56,892)	(59,518)	(52,326)	(47,235)	(36,239)	
One year later		(115,161)	(128,273)	(139,326)	(142,024)	(136,129)	(121,759)	–	
Two years later		(167,843)	(176,648)	(205,996)	(209,829)	(197,270)	–	–	
Three years later		(198,971)	(217,237)	(249,908)	(249,427)	–	–	–	
Four years later		(216,653)	(238,251)	(269,248)	–	–	–	–	
Five years later		(224,775)	(245,950)	–	–	–	–	–	
Six years later		(230,905)	–	–	–	–	–	–	
Cumulative payments to-date		(230,905)	(245,950)	(269,248)	(249,427)	(197,270)	(121,759)	(36,239)	
Gross general insurance outstanding liability (direct and facultative)	21,295	11,393	23,295	39,850	59,320	97,146	158,278	199,452	610,029
Gross general insurance outstanding liability (treaty inward)									863
Best estimate of claims liabilities									610,892
Claims handling expenses									4,503
PRAD at 75% confidence level									43,795
Effects of discounting									(43,593)
Gross general insurance contract liabilities per statement of financial position									615,597

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54. INSURANCE RISK (CONT'D)

Net general insurance contract liabilities for 2015:

Accident year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year		181,995	200,596	173,248	168,193	168,742	174,718	178,631	
One year later		191,742	191,470	177,930	178,771	174,030	207,249	–	
Two years later		206,975	209,032	189,370	186,994	196,815	–	–	
Three years later		215,442	217,861	196,436	205,905	–	–	–	
Four years later		218,001	222,440	206,294	–	–	–	–	
Five years later		216,255	227,766	–	–	–	–	–	
Six years later		218,645	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		218,645	227,766	206,294	205,905	196,815	207,249	178,631	
At end of accident year		(47,147)	(47,979)	(41,748)	(42,761)	(36,504)	(36,192)	(28,124)	
One year later		(107,204)	(111,233)	(99,202)	(99,449)	(94,298)	(89,377)	–	
Two years later		(155,194)	(153,500)	(143,286)	(143,610)	(135,787)	–	–	
Three years later		(183,493)	(186,845)	(170,062)	(169,660)	–	–	–	
Four years later		(197,967)	(203,916)	(183,153)	–	–	–	–	
Five years later		(204,713)	(210,536)	–	–	–	–	–	
Six years later		(210,313)	–	–	–	–	–	–	
Cumulative payments to-date		(210,313)	(210,536)	(183,153)	(169,660)	(135,787)	(89,377)	(28,124)	
Net general insurance outstanding liabilities (direct and facultative)	15,926	8,332	17,230	23,141	36,245	61,028	117,872	150,507	430,281
Net general insurance outstanding liability (treaty inward)									863
Best estimate of claims liabilities									431,144
Claims handling expenses									4,503
PRAD at 75% confidence level									28,961
Effects of discounting									(26,801)
Net general insurance contract liabilities per statement of financial position									437,807

55. FINANCIAL RISKS

The Group is exposed to a variety of financial risks arising from their operations. The key financial risks are credit risk, liquidity risk, and market risk.

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential exposure to adverse effects on its financial performance and positions.

The policies and processes taken by the Group to manage these risks are set out below:

(a) Credit risk

Credit risk is the risk of financial loss that may arise from the failure of intermediary or counterparties in meeting their financial and contractual obligations to the Group as and when they fall due.

The Group's primary exposure to credit risk arises through its investments in debt instruments, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts.

The Group has the following policies and processes to manage and mitigate its credit risks:

- Financial loss from an investment in debt instrument may arise from a change in the value of the investment due to a rating downgrade or default. Before acquiring a debt instrument from an issuer, an evaluation of the issuer's credit risk is undertaken by the Group. Ratings assigned by external rating agencies are also used in the evaluation to ensure optimal credit quality of the individual debt instrument concerned. The Group also has an Investment Policy which sets out the limits on which the Group may invest in each counterparty so as to ensure that there is no concentration of credit risk.

- Insurance receivables which arise mainly from premiums collected on behalf of the Group by appointed agents, brokers and other intermediaries are monitored on a day-to-day basis to ensure adherence to the Group's Credit Policy. Internal guidelines are also established to evaluate the Group's intermediaries before their appointment as well as setting credit terms/limits to the appointees concerned.

- Receivables from reinsurance contracts are monitored on a monthly basis to ensure compliance with payment terms. The Group also monitors the credit quality and financial conditions of its reinsurers on an ongoing basis to reduce the risk exposure. When selecting its reinsurers, the Group considers their relative financial security which is assessed based on public rating information, annual reports and other financial data.

- Other trade receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

55. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

The table below shows the maximum exposure to credit risk for the components on the statement of financial position:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Held-to-maturity investments	**146**	180	**34,922**	34,933
Loans	**31,907**	287	**–**	–
Reinsurance assets	**223,012**	214,914	**–**	–
Insurance receivables	**17,776**	25,110	**–**	–
Trade receivables	**2,280**	969	**–**	–
Other receivables	**80,072**	85,722	**1,470**	1,572
Due from subsidiary companies	**–**	–	**153,025**	112,160
Deposits and placements with financial institutions	**582,363**	700,826	**5,159**	58,275
Cash and bank balances	**56,511**	110,483	**11,561**	44,942
	994,067	1,138,491	**206,137**	251,882

Except for loans, the other financial assets are not secured by any collateral or credit enhancements.

The loans were secured by way of land and building, bank accounts, debentures, shares and corporate guarantees.

(i) Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2016						
Held-to-maturity investments	**–**	**–**	**–**	**–**	**146**	**146**
Loans	**–**	**–**	**–**	**–**	**31,907**	**31,907**
Reinsurance assets	**–**	**87**	**211,335**	**–**	**11,590**	**223,012**
Insurance receivables	**–**	**13,553**	**–**	**–**	**4,223**	**17,776**
Trade receivables	**–**	**–**	**–**	**–**	**2,280**	**2,280**
Other receivables	**823**	**3,296**	**637**	**–**	**75,316**	**80,072**
Deposits and placements with financial institutions	**126,935**	**320,093**	**56,648**	**29**	**78,658**	**582,363**
Cash and bank balances	**28,567**	**15,532**	**10,080**	**718**	**1,614**	**56,511**
	156,325	**352,561**	**278,700**	**747**	**205,734**	**994,067**

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55. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

(i) Credit exposure by credit quality (Cont'd)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating. (Cont'd)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2015						
Held-to-maturity investments	–	–	–	–	180	180
Loans	–	–	–	–	287	287
Reinsurance assets	–	1,768	160,020	–	53,126	214,914
Insurance receivables	–	12	20,303	–	4,795	25,110
Trade receivables	–	–	–	–	969	969
Other receivables	3,481	2,588	81	–	79,572	85,722
Deposits and placements with financial institutions	288,972	274,869	17,802	–	119,183	700,826
Cash and bank balances	59,772	31,401	16,167	1,414	1,729	110,483
	352,225	310,638	214,373	1,414	259,841	1,138,491

Company	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Total RM'000
2016					
Held-to-maturity investments	**–**	**–**	**34,776**	**146**	**34,922**
Other receivables	**12**	**–**	**699**	**759**	**1,470**
Deposits and placements with financial institutions	**5,159**	**–**	**–**	**–**	**5,159**
Due from subsidiary companies	**–**	**–**	**45**	**152,980**	**153,025**
Cash and bank balances	**3,062**	**8,498**	**–**	**1**	**11,561**
	8,233	**8,498**	**35,520**	**153,886**	**206,137**
2015					
Held-to-maturity investments	–	–	34,753	180	34,933
Other receivables	402	2	685	483	1,572
Deposits and placements with financial institutions	49,515	–	–	8,760	58,275
Due from subsidiary companies	–	–	45	112,115	112,160
Cash and bank balances	32,087	12,854	–	1	44,942
	82,004	12,856	35,483	121,539	251,882

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55. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Age analysis of financial assets that are past due but not impaired

Group		< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	> than 180 days RM'000	Total RM'000
2016							
Insurance receivables	(i)	**3,811**	**137**	**24**	**1,732**	**433**	**6,137**
Trade receivables		**802**	**118**	**605**	**662**	**93**	**2,280**
Loans		**296**	**–**	**–**	**–**	**–**	**296**
		4,909	**255**	**629**	**2,394**	**526**	**8,713**
2015							
Insurance receivables	(i)	4,410	48	–	2,977	28	7,463
Trade receivables		730	101	16	27	95	969
		5,140	149	16	3,004	123	8,432

(i) The Group's insurance receivables that are past due but not impaired are creditworthy debtors.

Financial assets that are neither past due nor impaired

		Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Insurance receivables	(i)	**11,639**	17,647	**–**	–
Due from subsidiary companies	(ii)	**–**	–	**153,025**	112,160
Loans	(iii)	**31,611**	287	**–**	–
		43,250	17,934	**153,025**	112,160

(i) The Group's receivables that are neither past due nor impaired are creditworthy debtors.

(ii) Due from subsidiary companies are unsecured.

(iii) The loans are secured by way of land and building, bank accounts, debentures, shares and corporate guarantees.

Other than loans, the Group's receivables are not secured by any collaterals or credit enhancement.

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55. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Financial assets that are impaired

The Group's and the Company's financial assets that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Group	Individually impaired 2016 RM'000	Individually impaired 2015 RM'000	Collectively impaired 2016 RM'000	Collectively impaired 2015 RM'000	Total 2016 RM'000	Total 2015 RM'000
Movement in allowance accounts:						
Insurance receivables						
At 1 October 2015/2014	**1,396**	2,005	**361**	179	**1,757**	2,184
Impairment loss (Note 39)	**3**	570	**2**	182	**5**	752
Write back of allowance for impairment loss (Note 39)	**(63)**	(990)	**(251)**	–	**(314)**	(990)
Write-offs	**–**	(189)	**–**	–	**–**	(189)
At 30 September	**1,336**	1,396	**112**	361	**1,448**	1,757
Trade receivables						
At 1 October 2015/2014	**902**	53	**15**	16	**917**	69
Impairment loss (Note 39)	**772**	855	**6**	–	**778**	855
Write back of allowance for impairment loss (Note 39)	**(97)**	(2)	**(12)**	(2)	**(109)**	(4)
Write-offs	**(5)**	(4)	**–**	–	**(5)**	(4)
Translation differences	**(3)**	–	**3**	1	**–**	1
At 30 September	**1,569**	902	**12**	15	**1,581**	917
Total	**2,905**	2,298	**124**	376	**3,029**	2,674

The Group's receivables that are individually impaired at the reporting date relate to debtors that are in significant financial difficulties or have defaulted in payments.

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55. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Financial assets that are impaired (Cont'd)

Company	Individually impaired 2016 RM'000	Individually impaired 2015 RM'000	Collectively impaired 2016 RM'000	Collectively impaired 2015 RM'000	Total 2016 RM'000	Total 2015 RM'000
Movement in allowance accounts:						
Due from subsidiary companies						
At 1 October 2015/2014	**45,898**	42,329	**–**	–	**45,898**	42,329
Impairment loss (Note 39)	**1,866**	3,569	**–**	–	**1,866**	3,569
At 30 September	**47,764**	45,898	**–**	–	**47,764**	45,898

(b) Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Group's policy is to maintain adequate liquidity to meet their liquidity needs under normal and stressed conditions.

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- The Group-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Group is established. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Management Committee.

- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are implemented in order to ensure sufficient funding is available to meet insurance, investment contract and other payment obligations. As part of its liquidity management, the Group maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Contingency funding plans were established to mitigate funding requirement arising from emergency and other unforeseen cash calls. Such funding plans include the arrangement of credit with banks and funding from the Company.

- The Group has established treaty reinsurance contract that contain a "cash call" clause which permits the Group to make cash calls on claims and receive immediate payments for large losses without waiting for usual periodic payment procedures to occur.

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55. FINANCIAL RISKS (CONT'D)

(b) Liquidity risk (Cont'd)

(i) Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as these are not contractual obligations.

Group	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
2016						
Insurance contract liabilities	**554,279**	**269,983**	**164,322**	**145,490**	**650**	**580,445**
Insurance payables	**17,055**	**17,055**	**–**	**–**	**–**	**17,055**
Trade payables	**1,006**	**1,006**	**–**	**–**	**–**	**1,006**
Other payables	**12,744**	**12,744**	**–**	**–**	**–**	**12,744**
Hire purchase creditors	**3,011**	**1,184**	**1,562**	**574**	**–**	**3,320**
Borrowings	**34,149**	**2,860**	**5,320**	**7,295**	**35,000**	**50,475**
Total	**622,244**	**304,832**	**171,204**	**153,359**	**35,650**	**665,045**
2015						
Insurance contract liabilities	615,597	244,903	158,937	186,009	69,340	659,189
Insurance payables	15,227	15,227	–	–	–	15,227
Trade payables	1,583	1,583	–	–	–	1,583
Other payables	9,500	9,500	–	–	–	9,500
Hire purchase creditors	2,190	791	1,140	489	–	2,420
Borrowings	33,994	2,667	5,320	7,991	36,964	52,942
Total	678,091	274,671	165,397	194,489	106,304	740,861

* Expected utilisation or settlement is within 12 months from the reporting date.

55. FINANCIAL RISKS (CONT'D)

(b) Liquidity risk (Cont'd)

(i) Maturity analysis (Cont'd)

Company	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	No maturity date RM'000	Total RM'000
2016						
Other payables	**1,233**	**1,233**	**–**	**–**	**–**	**1,233**
Due to subsidiary companies	**48**	**–**	**–**	**–**	**48**	**48**
Hire purchase creditors	**1,239**	**413**	**602**	**358**	**–**	**1,373**
Total	**2,520**	**1,646**	**602**	**358**	**48**	**2,654**
2015						
Other payables	1,165	1,165	–	–	–	1,165
Due to subsidiary companies	53	–	–	–	53	53
Hire purchase creditors	417	163	210	78	–	451
Total	1,635	1,328	210	78	53	1,669

* Expected utilisation or settlement is within 12 months from the reporting date.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rate/profit yield risk) and market prices (price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and Company-wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Group and the Company is established.

- Policies and limits have been established to manage market risk. Market risk is managed through portfolio diversification and changes in asset allocation. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

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55. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign exchange risk as a result of its net investments in overseas subsidiary companies and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia ("RM"). The currencies giving rise to foreign exchange risk are primarily United States Dollar ("USD"), Thailand Baht ("Baht"), Great Britain Pound ("GBP"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was:

			2016 Exposure in		
	USD RM'000	BAHT RM'000	GBP RM'000	SGD RM'000	JPY RM'000
Trade and other receivables	**131**	**3,213**	**359**	**–**	**–**
Deposits and placements with financial institutions	**–**	**157**	**–**	**5,847**	**74**
Cash and bank balances	**10,872**	**3,667**	**14,276**	**158**	**90**
Trade and other payables	**(132)**	**(1,935)**	**(372)**	**–**	**–**
	10,871	**5,102**	**14,263**	**6,005**	**164**

			2015 Exposure in		
	USD RM'000	BAHT RM'000	GBP RM'000	SGD RM'000	JPY RM'000
Trade and other receivables	125	2,608	305	2	–
Deposits and placements with financial institutions	–	129	–	12,463	67
Cash and bank balances	14,129	4,415	19,057	–	82
Trade and other payables	(177)	(1,996)	(254)	–	–
	14,077	5,156	19,108	12,465	149

55. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was:

			2016 Exposure in		
	USD RM'000	**BAHT RM'000**	**GBP RM'000**	**SGD RM'000**	**JPY RM'000**
Trade and other receivables	**–**	**–**	**–**	**–**	**–**
Due from subsidiary companies	**73,252**	**5,054**	**32,001**	**–**	**–**
Deposits and placements with financial institutions	**–**	**–**	**–**	**5,847**	**74**
Cash and bank balances	**21**	**–**	**2,148**	**158**	**90**
Due to subsidiary companies	**(29)**	**(14)**	**–**	**–**	**–**
	73,244	**5,040**	**34,149**	**6,005**	**164**

			2015 Exposure in		
	USD RM'000	**BAHT RM'000**	**GBP RM'000**	**SGD RM'000**	**JPY RM'000**
Trade and other receivables	–	–	–	2	–
Due from subsidiary companies	73,808	3,483	33,535		–
Deposits and placements with financial institutions	–	–	–	12,463	67
Cash and bank balances	22	–	–	–	82
Due to subsidiary companies	(31)	(15)	–	–	–
	73,799	3,468	33,535	12,465	149

Notes to the Financial Statements
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55. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonable possible change in the USD, Baht, GBP, SGD and JPY exchange rates, with all other variables held constant :

		Group		Company	
		2016 Profit net of tax RM'000	2015 Profit net of tax RM'000	2016 Profit net of tax RM'000	2015 Profit net of tax RM'000
		Increase / (decrease)			
USD/RM	- strengthened 3%	**3,705**	3,868	**2,671**	2,684
	- weakened 3%	**(3,705)**	(3,868)	**(2,671)**	(2,684)
GBP/RM	- strengthened 3%	**1,299**	1,070	**1,299**	1,070
	- weakened 3%	**(1,299)**	(1,070)	**(1,299)**	(1,070)
USD/Baht	- strengthened 3%	**(520)**	(473)	**–**	–
	- weakened 3%	**520**	473	**–**	–
Baht/RM	- strengthened 3%	**313**	228	**156**	102
	- weakened 3%	**(313)**	(228)	**(156)**	(102)
SGD/RM	- strengthened 3%	**227**	374	**182**	374
	- weakened 3%	**(227)**	(374)	**(182)**	(374)
JPY/RM	- strengthened 3%	**5**	4	**5**	4
	- weakened 3%	**(5)**	(4)	**(5)**	(4)

(ii) Interest rate/profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

The Group and the Company are exposed to interest rate risk primarily through their investments in fixed income securities, deposits placements and borrowings from financial institutions. Interest rate risk is managed by the Group and the Company on an ongoing basis.

The Group and the Company have no significant concentration of interest rate/profit yield risk.

The impact on profit before tax at +/- 25 basis points change in the interest rate, with all other variables held constant, is insignificant to the Group and the Company given that it has minimal floating rate financial instruments.

Notes to the Financial Statements
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55. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market.

The Group's exposure to price risk arises mainly from its investments in quoted shares and unit trusts whose values will fluctuate as a result of changes in market prices.

The Group manages its price risk by ensuring that its investments in quoted shares and unit trusts are within the limits set out in the Group's Investment Policy. The Group does not have any major concentration of price risk related to such investments.

The impact on profit before tax and equity (inclusive of the impact on statements on comprehensive income) arising from +/- 10% change in market price of AFS financial assets, with all other variables held constant, is shown below:

		2016 Impact on		2015 Impact on	
Group	**Change in variables**	**Profit before tax RM'000**	**Equity * RM'000**	**Profit before tax RM'000**	**Equity * RM'000**
		← Increase / (decrease) →			
Market price	+10%	**–**	**9,978**	–	9,413
Market price	-10%	**–**	**(9,978)**	–	(9,413)
Company					
Market price	+10%	**–**	**4,861**	–	2,954
Market price	-10%	**–**	**(4,861)**	–	(2,954)

* Impact on Equity reflects adjustments for tax, where applicable.

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of internal audit. Business risk, such as changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

Notes to the Financial Statements
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56. CAPITAL MANAGEMENT

The Group's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders of its insurance subsidiary company and meet regulatory requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or obtain credit facilities from financial institutions.

The insurance subsidiary company is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital ("RBC") Framework which is imposed by the Minister of Finance as a licensing condition for insurers. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. The insurance subsidiary company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the insurance subsidiary company as at 30 September 2016, as prescribed under the RBC Framework is provided below:

	2016 RM'000	2015 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	**100,000**	100,000
Retained earnings	**142,668**	117,293
	242,668	217,293
Tier 2 Capital		
Capital instruments which qualify as Tier 2 Capital	**68,725**	68,546
Revaluation reserve	**8,914**	8,914
AFS reserve	**2,910**	2,126
	80,549	79,586
Amounts deducted from Capital	**(987)**	(259)
Total Capital Available	**322,230**	296,620

57. SEGMENT REPORTING

(a) Business Segments:

The Group is organised into the following 4 major business segments:

(i) Insurance
(ii) Information technology
(iii) Investment holding
(iv) Money lending

Other business segments include distribution of consumer goods, property development and dealings in properties and investments, none of which is of a sufficient size to be reported separately.

The Directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

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57. SEGMENT REPORTING (CONT'D)

(a) Business Segments: (Cont'd)

2016	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
REVENUE							
External sales	357,139	11,484	2,337	3,434	–	–	374,394
Inter-segment sales	256	17,328	28,289	–	7	(45,880)	–
Total segment revenue	357,395	28,812	30,626	3,434	7	(45,880)	374,394
RESULTS							
Segment profit	68,505	(5,632)	(1,493)	922	(14,178)	(8,311)	39,813
Share of losses of associated companies (net of tax)	–	–	–	–	(2,499)	–	(2,499)
Segment profit before tax after accounting for:	68,505	(5,632)	(1,493)	922	(16,677)	(8,311)	37,314
Interest income	–	124	–	178	7	–	309
Finance cost	(5,558)	(2,167)	(405)	(2,497)	(1,797)	9,083	(3,341)
Depreciation	(1,078)	(555)	(199)	–	(61)	12	(1,881)
Amortisation	(202)	(200)	(12)	–	(2)	54	(362)
Other non-cash items	119	2,232	17,160	75	5,990	(1,866)	23,710
ASSETS							
Segment assets	1,039,970	66,319	67,027	33,853	35,913	–	1,243,082
Unallocated corporate assets							4,288
Consolidated total assets							1,247,370
LIABILITIES							
Segment liabilities	712,126	3,842	927	1,939	591	–	719,425
Unallocated corporate liabilities							44,324
Consolidated total liabilities							763,749
OTHER INFORMATION							
Investment in associated companies	–	–	–	–	19,403	–	19,403
Capital expenditure	1,645	384	1,394	–	302	(480)	3,245

Notes to the Financial Statements
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57. SEGMENT REPORTING (CONT'D)

(a) Business Segments: (Cont'd)

	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
2015							
REVENUE							
External sales	448,843	9,374	4,876	1,751	–	–	464,844
Inter-segment sales	256	15,242	37,764	–	4	(53,266)	–
Total segment revenue	449,099	24,616	42,640	1,751	4	(53,266)	464,844
RESULTS							
Segment profit	30,006	797	57,198	845	(2,492)	(23,649)	62,705
Share of losses of an associated company (net of tax)	–	–	–	–	(433)	–	(433)
Segment profit before tax after accounting for:	30,006	797	57,198	845	(2,925)	(23,649)	62,272
Interest income	–	121	–	121	12	–	254
Finance cost	(5,502)	(2,641)	(407)	(1,221)	(1,367)	7,858	(3,280)
Depreciation	(1,106)	(566)	(124)	–	(13)	12	(1,797)
Amortisation	(441)	(196)	(12)	–	(1)	18	(632)
Other non-cash items	4,000	(4,815)	(30,907)	(293)	432	(363)	(31,946)
ASSETS							
Segment assets	1,087,322	68,282	134,001	5,110	31,285	–	1,326,000
Unallocated corporate assets							4,342
Consolidated total assets							1,330,342
LIABILITIES							
Segment liabilities	792,034	3,735	944	30	279	–	797,022
Unallocated corporate liabilities							37,675
Consolidated total liabilities							834,697
OTHER INFORMATION							
Investment in an associated company	–	–	–	–	9,665	–	9,665
Capital expenditure	1,023	1,083	219	–	578	(6)	2,897

57. SEGMENT REPORTING (CONT'D)

(a) Business Segments: (Cont'd)

Other non-cash items include the following items:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Impairment of AFS financial assets	**58**	2,125
Unrealised loss/(gain) on foreign exchange	**16,362**	(38,161)
Share of losses of associated companies	**2,499**	433
Gain on disposal of investments	**–**	(716)
Gain on fair value of investment properties	**(10)**	(180)
Allowance for impairment of:		
- an associated company	**3,475**	–
- property, plant and equipment	**–**	567
- intangible assets	**–**	1
- insurance receivables	**5**	752
- trade receivables	**778**	855
- other receivables	**–**	991
- reinsurance assets	**–**	1,839
Write back in allowance for impairment:		
- insurance receivables	**(314)**	(990)
- trade receivables	**(109)**	(4)
Bad debts written off of trade receivables	**148**	2
Inventories of goods for resale written off	**53**	4
Allowance for inventories obsolescence	**–**	11
Loss on disposal of property, plant and equipment	**217**	152
Allowance for unutilised leave	**54**	289
Property, plant and equipment written off	**21**	53
	23,237	(31,977)

Notes to the Financial Statements
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57. SEGMENT REPORTING (CONT'D)

(b) Geographical Segments

In Malaysia, the Group's areas of operation are principally insurance, information technology, investment holding and money lending. Other operations in Malaysia include distribution of consumer goods and investing in start-up companies.

The Group also operates in the United States of America (information technology and property development), Thailand (information technology) and England (investing in real estate market and start-up companies).

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	**366,925**	458,002	**1,161,052**	1,234,908	**2,746**	1,838
Thailand	**6,715**	6,361	**7,254**	7,597	**4**	449
United States of America	**754**	481	**47,850**	52,219	**192**	32
England	**–**	–	**26,926**	31,276	**303**	578
	374,394	464,844	**1,243,082**	1,326,000	**3,245**	2,897

(c) Major Customers

There is no revenue from a single external customer which amounted to 10% or more of the Group's revenue during the financial year (2015 : Nil).

58. SUBSEQUENT EVENT

On 17 May 2007, the insurance subsidiary company invested in Islamic Corporate Bonds issued by Malaysian International Tuna Port Sdn Bhd ("MITP") totalling RM10,000,000. The bonds were purportedly guaranteed by a letter of support issued by the Ministry of Agriculture ("MOA"). On 19 February 2010, the insurance subsidiary received a partial repayment of RM6,020,000.

Arising from MITP's default in its obligation to repay the interest and principal amount owing to bondholders, the insurance subsidiary company had impaired the remaining balance of RM3,980,000 in the previous financial years.

On 6 October 2016, the insurance subsidiary company received a notice from the trustee of MITP that a final and full settlement of amount owing to bondholders would be remitted on 10 October 2016.

On 10 October 2016, the insurance subsidiary company received the redemption payment as full and final settlement amounting to RM2,291,000 from the trustee of MITP bonds. Consequently, a write back of impairment of RM2,291,000 will be reflected in the next financial year ending 30 September 2017.

59. SUPPLEMENTARY INFORMATION - DISCLOSURE OF REALISED AND UNREALISED RETAINED PROFITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits				
- Realised	**221,291**	223,144	**225,628**	234,359
- Unrealised	**19,973**	35,375	**14,616**	29,596
	241,264	258,519	**240,244**	263,955
Share of accumulated losses of associated companies				
- Realised	**(2,932)**	(433)	**–**	–
Less: Consolidation adjustments	**(32,838)**	(24,843)	**–**	–
Total retained profits as per statement of financial position	**205,494**	233,243	**240,244**	263,955

The determination of realised and unrealised profits/losses 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 purposes.

LIST OF GROUP'S PROPERTIES

as at 30 September 2016

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ Existing use	Net book value @ 30.09.2016 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
	MALAYSIA						
1.	P.N. 6422, P.N. 7382 and P.N. 7383 Lot Nos. 1700, 1703 and 1704 Section 46 Town and District of Kuala Lumpur State of Wilayah Persekutuan 10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	10,589	Leasehold expiring 08.04.2074 (P.N. 6422 expiring 09.10.2083)	Office	4,458	31	Unit 10-A 01.07.1993/ 30.09.2012 Unit 10-B 01.04.1995/ 30.09.2012
2.	P.N. 6422, P.N. 7382 and P.N. 7383 Lot Nos. 1700, 1703 and 1704 Section 46 Town and District of Kuala Lumpur State of Wilayah Persekutuan 11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	11th Floor 10,589 12th Floor 10,589	Leasehold expiring 08.04.2074 (P.N. 6422 expiring 09.10.2083)	Office	8,395	31	21.12.1982/ 30.09.2012
3.	Geran 5815/M1/16/132 Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan Unit 332B-15A 15th Floor, GCB Court Off Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan	1,615	Freehold	Condominium/ Residential	650	31	14.04.1986/ 30.09.2016
4.	Grant No.17880 for Lot No. 2163 Town and District of Seremban Negeri Sembilan Darul Khusus Unit No. G.07, Ground Floor Wisma Punca Emas Jalan Dato' Sheikh Ahmad/ Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus	312.5	Freehold	Shop-lot	45	37	01.12.1986/ 30.09.2016

List of Group's Properties (Cont'd)
as at 30 September 2016

No.	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ Existing use	Net book value @ 30.09.2016 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
5.	Parcel 281-1-18, 281-2-18 Lot 281, Section 48 Kuching Town Land District	1,701	Leasehold expiring 11.08.2771	2 storey shop/ Apartment	516	32	08.12.1984/ 30.09.2012
	Parcel 281-3-18, 281-4-18 of Lot 281, Section 48 Kuching Town Land District Taman Sri Sarawak Mall Jalan Padungan 93100 Kuching, Sarawak	1,625	Leasehold expiring 11.08.2771	2 storey shop/ Apartment	335	32	08.12.1984/ 30.09.2016
6.	Lot No. 13772 & 13771S Geran 10602/M1/4/11 & 10601/M1/4/2 Town of Ipoh District of Kinta Ipoh, Perak Darul Ridzuan Lot 3.1 & 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	1,528	Freehold	Office-lots	172	33	13.02.1991/ 30.09.2012
7.	Lot No. 1217, Title No. PN 26201 Kawasan Bandar XLII Daerah Melaka Tengah Negeri Melaka No. 2, Jalan PM7 Plaza Mahkota Bandar Hilir 75000 Melaka	9,428 (2,357)	Leasehold expiring 18.07.2101	4 storey shop-office	861	18	18.09.1998/ 30.09.2012
8.	Geran 72942 Lot No. 59758 Mukim and District of Petaling State of Selangor Darul Ehsan No. 40, Jalan BP 5/8 Bandar Bukit Puchong 47100 Puchong Selangor Darul Ehsan	4,879 (3,477)	Freehold	1½ storey factory corner unit/ Office	1,398	17	03.12.1999/ 30.09.2012
9.	Geran 72944 Lot No. 59759 Mukim and District of Petaling State of Selangor Darul Ehsan No. 38, Jalan BP 5/8 Bandar Bukit Puchong 47100 Puchong Selangor Darul Ehsan	2,875 (2,002)	Freehold	1½ storey factory intermediate unit/Office	891	17	03.12.1999/ 30.09.2012

SHAREHOLDINGS STATISTICS
as at 31 December 2016

Authorised capital:	RM200,000,000.00
Issued and fully paid-up capital:	RM122,977,000.00
Class of shares:	Ordinary shares of RM0.50 each
Voting rights:	One vote per RM0.50 share

BREAKDOWN OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	%
Less than 100 shares	478	18,768	0.01
100 to 1,000 shares	498	262,646	0.11
1,001 to 10,000 shares	3,248	15,156,099	6.40
10,001 to 100,000 shares	1,184	34,609,135	14.63
100,001 to less than 5% of issued shares	128	118,130,708	49.93
5% and above of issued shares	3	68,429,044	28.92
Total	5,539	*236,606,400	100.00

*The number of 236,606,400 ordinary shares is exclusive of treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 31 December 2016 were as follows:

	← No. of RM0.50 Shares →			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Chan Thye Seng	33,643,320	14.22	109,045,418[2]	46.09
Mah Wing Holdings Sdn. Bhd.	54,289,202	22.95	–	–
Mah Wing Investments Limited	49,262,660	20.82	–	–

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 31 December 2016 were as follows:

	← No. of RM0.50 Shares →			
Name	**Direct Interest**	**%**	**Indirect Interest**	**%**
Chan Hua Eng	284,198	0.12	5,349,522[1]	2.26
Chan Thye Seng	33,643,320	14.22	109,045,418[2]	46.09
Michael Yee Kim Shing	200,000	0.08	411,018 [3]	0.17
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	200,000	0.08	–	–
Dato' Dr. Zaha Rina binti Zahari	650,000	0.27	–	–

Notes:

(1) *Held by virtue of Chan Hua Eng's interests in Chan Kok Tien Realty Sdn. Bhd. ("CKT"), Tysim Holdings Sdn. Bhd. ("Tysim") and deemed to have interest in shares held by his spouse and daughter.*

(2) *Held by virtue of Chan Thye Seng's interests in Mah Wing Investments Limited, Mah Wing Holdings Sdn. Bhd., CKT, Tysim and deemed to have interest in shares held by his spouse.*

(3) *Deemed to have interest in shares held by his spouse and children.*

Shareholdings Statistics (Cont'd)
as at 31 December 2016

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	No. of RM0.50 Shares	% of Issued Capital
1.	Mah Wing Investments Limited	39,262,660	16.59
2.	Mah Wing Holdings Sdn. Bhd.	16,061,486	6.79
3.	EB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.	13,104,898	5.54
4.	Public Nominees (Asing) Sdn. Bhd. Pledged Securities Account for Mah Wing Investments Limited	10,000,000	4.23
5.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Thye Seng	8,645,100	3.65
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund	8,050,000	3.40
7.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.	7,500,000	3.17
8.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Thye Seng	6,584,032	2.78
9.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Thye Seng	5,744,584	2.43
10.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.	5,417,104	2.29
11.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.	5,405,714	2.28
12.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Chan Thye Seng	5,267,384	2.23
13.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Chan Kok Tien Realty Sdn. Bhd.	4,810,688	2.03
14.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.	4,800,000	2.03
15.	EB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Thye Seng	3,052,220	1.29
16.	Neoh Choo Ee & Company, Sdn. Bhd.	2,640,000	1.12
17.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chan Thye Seng	2,350,000	0.99
18.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.	2,000,000	0.85
19.	Chan Thye Seng	2,000,000	0.85
20.	Tan Teong Han	1,787,242	0.75
21.	Yeoh Phek Leng	1,751,432	0.74
22.	Electroscon Coletra Sdn. Bhd.	1,600,000	0.68
23.	Lee Sik Pin	1,222,804	0.52
24.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte. Ltd. for Yeo Seng Chong	1,000,000	0.42
25.	Kumpulan Wang Simpanan Guru-Guru	881,034	0.37
26.	Dynaquest Sdn. Bhd.	700,000	0.30
27.	HLB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Surinder Singh a/l Wassan Singh	680,000	0.29
28.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An for Bank of Singapore Limited	677,000	0.29
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Zaha Rina binti Zahari	650,000	0.27
30.	Kumpulan Wang Simpanan Guru-Guru	620,000	0.26
	Total	164,265,382	69.43

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PACIFIC & ORIENT BERHAD
(308366-H)
(Incorporated in Malaysia)

FORM OF PROXY

*I/We, ...
of ....
.... being a member/members of PACIFIC & ORIENT BERHAD, hereby appoint
....
of ....
or failing whom, ...
of ....

or failing whom, the **Chairman of the meeting** as *my/our proxy to vote for *me/us on *my/our behalf at the 23rd Annual General Meeting of the Company to be held at Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 24 February 2017 at 10.30 a.m. and at any adjournment thereof.

Item	Agenda			
1.	To receive the Audited Financial Statements and Reports			
		Resolution	**For**	**Against**
2.	To re-elect Mr. Chan Thye Seng as Director	1		
3.	To re-appoint Mr. Chan Hua Eng as Director	2		
4.	To re-appoint Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed as Director	3		
5.	To re-appoint Mr. Michael Yee Kim Shing as Director	4		
6.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration	5		
7.	Authority under Section 132D of the Companies Act 1965, to issue shares	6		
8.	Proposed Renewal of Authority for the Company to Purchase its Own Shares	7		
9.	To retain Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed as Independent Director	8		
10.	To retain Mr. Michael Yee Kim Shing as Independent Director	9		

(Please indicate with an "X" in the space provided above how you wish your vote to be cast on the resolutions specified in the notice of meeting. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.)

*Delete if not applicable.

As witness my hand this .... day of 2017

No. of Shares Held	
CDS Account No.	

....
Signature/Common Seal of Member(s)

Notes:

1. Depositors whose names appear in the Record of Depositors as at 20 February 2017 shall be regarded as members of the Company entitled to attend the Annual General Meeting or appoint proxies to attend on their behalf.
2. A member entitled to attend and vote at the meeting is entitled to appoint one (1) proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
5. The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting.

   (Faxed copy of duly executed form of proxy is not acceptable)

Fold this flap for sealing

Then fold here

AFFIX
STAMP

Company Secretary
PACIFIC & ORIENT BERHAD (308366-H)
11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

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Pacific & Orient Insurance Co. Berhad
(Company No.: 12557-W)
A Member Of The Pacific & Orient Group

PACIFIC & ORIENT BERHAD (Company No.: 308366-H)
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