

PACIFIC & ORIENT INSURANCE CO. BERHAD

Registration No. 197201000959 (12557-W)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For The Six Months Ended 31 March 2020

Registration No. 197201000959 (12557-W)

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

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PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	<u>Note</u>	As at 31 March 2020 RM'000	As at 30 September 2019 RM'000
ASSETS			
Property, plant and equipment	2	19,389	19,962
Right-Of-Use Assets		13,932	-
Investment properties		1,220	1,220
Prepaid land lease payments		287	290
Intangible assets		1,482	1,357
Tax receivable		1,967	-
Investments	3	519,170	538,543
Reinsurance assets	4	185,430	161,941
Insurance receivables	5	7,089	24,792
Other receivables		59,660	66,337
Cash and cash equivalents	6	29,963	18,617
TOTAL ASSETS		839,589	833,059
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		12,378	12,378
Share options reserve	7	632	551
Fair value through other comprehensive income ("FVOCI") reserve		1,373	1,941
Retained profits		72,135	105,920
TOTAL EQUITY		186,518	220,790
Insurance contract liabilities	8	542,210	515,060
Deferred tax liabilities		2,977	3,078
Insurance payables	9	15,918	14,693
Hire purchase creditors		348	435
Tax payables		-	912
Borrowings	10	69,420	69,328
Lease Liabilities		14,120	-
Other payables		8,078	8,763
TOTAL LIABILITIES		653,071	612,269
TOTAL EQUITY AND LIABILITIES		839,589	833,059

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2019 and the accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed financial statements.

The unaudited financial statements were approved for issue by the Board of Directors on 20 May 2020.

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2020

	←----- Non-Distributable ----->			Distributable		Total
	Share capital	Revaluation reserve	Share options reserve	FVOCI reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2019	100,000	12,378	551	1,941	105,920	220,790
Net loss for the period	-	-	-	-	(8,792)	(8,792)
Other comprehensive loss for the period	-	-	-	(568)	-	(568)
Total comprehensive income for the period	-	-	-	(568)	(8,792)	(9,360)
Dividends (Note 26)	-	-	-	-	(25,000)	(25,000)
Share options vested under ESOS		-	82	-	7	89
At 31 March 2020	<u>100,000</u>	<u>12,378</u>	<u>633</u>	<u>1,373</u>	<u>72,135</u>	<u>186,519</u>
At 1 October 2018	100,000	12,378	4,046	-	134,857	251,281
<u>Effects of adopting MFRS 9</u>	-	-	(4,046)	3,602	(468)	(912)
1 October 2018 (Restated)	<u>100,000</u>	<u>12,378</u>	<u>-</u>	<u>3,602</u>	<u>134,389</u>	<u>250,369</u>
Net profit for the period	-	-	-	-	7,515	7,515
Other comprehensive loss for the period	-	-	-	(1,107)	-	(1,107)
Total comprehensive income for the period	-	-	-	(1,107)	7,515	6,408
Dividends (Note 26)	-	-	-	-	(45,000)	(45,000)
At 31 March 2019	<u>100,000</u>	<u>12,378</u>	<u>-</u>	<u>2,495</u>	<u>96,904</u>	<u>211,777</u>

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PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2020

		6 months ended 31 March 2020	6 months ended 31 March 2019
	<u>Note</u>	RM'000	RM'000
Operating revenue		<u>156,517</u>	<u>156,854</u>
Gross earned premiums		143,983	143,287
Premiums ceded to reinsurers		<u>(53,649)</u>	<u>(55,215)</u>
Net earned premiums	10	<u>90,334</u>	<u>88,072</u>
Investment income	11	12,534	13,567
Realised gains	12	816	71
Commission income		13,266	12,480
Fair value (losses)/gains	13	(6,489)	(950)
Other operating revenue	14	<u>28</u>	<u>45</u>
Other revenue		<u>20,155</u>	<u>25,213</u>
Gross claims paid		(74,794)	(75,277)
Claims ceded to reinsurers		20,981	21,382
Gross (increase)/decrease in insurance contract liabilities		(11,185)	(1,948)
Change in insurance contract liabilities ceded to reinsurers		<u>6,219</u>	<u>10,456</u>
Net claims incurred	15	<u>(58,779)</u>	<u>(45,387)</u>
Commission expenses		(20,099)	(19,431)
Management expenses	16	(36,677)	(35,309)
Finance costs	18	(3,248)	(2,762)
Other operating expenses	14	<u>(486)</u>	<u>(132)</u>
Other expenses		<u>(60,510)</u>	<u>(57,634)</u>
Profit before taxation		(8,800)	10,264
Taxation		<u>8</u>	<u>(2,749)</u>
Net profit for the period		<u>(8,792)</u>	<u>7,515</u>
Basic earnings per share (sen)		<u>(8.79)</u>	<u>7.52</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2019 and the accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed financial statements.

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PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2020

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Net profit for the period	(8,792)	7,515
Other comprehensive income:		
<u>Items that may be reclassified to income statement in subsequent periods:</u>		
Fair value changes in quoted shares through other comprehensive income ("FVOCI")	(748)	(1,456)
Deferred tax	180	349
Net loss	(568)	(1,107)
Other comprehensive loss for the period, net of tax	(568)	(1,107)
Total comprehensive income for the period	(9,360)	6,408

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2019 and the accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed financial statements.

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PACIFIC & ORIENT INSURANCE CO. BERHAD
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CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2020

		6 months ended 31 March <u>2020</u>	6 months ended 31 March <u>2019</u>
	Note	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations		31,417	26,399
Net tax paid		(2,793)	(3,286)
Dividends received		3,773	2,107
Interest received		5,891	1,619
Income received from Islamic fixed deposits		1,965	3,418
Interest paid		(9)	(7)
Net cash generated from operating activities		<u>40,244</u>	<u>30,250</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment		-	-
Purchase of property, plant and equipment		(53)	(438)
Purchase of intangible assets		(332)	(443)
Net cash used in investing activities		<u>(385)</u>	<u>(881)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(25,000)	(45,000)
Increase/(Decrease) in hire purchase creditors		(87)	253
Payment of principal portion of lease liabilities		(3,426)	-
Net cash used in financing activities		<u>(28,513)</u>	<u>(44,747)</u>
Net decrease in cash and cash equivalents		11,346	(15,378)
Cash and cash equivalents at beginning of period		<u>18,617</u>	<u>38,300</u>
Cash and cash equivalents at end of period	6	<u><u>29,963</u></u>	<u><u>22,922</u></u>

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CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2020 (CONT'D.)

Reconciliation of liabilities arising from financing activities

	Hire purchase creditors RM'000	Borrowings RM'000	Total RM'000
As at 1 October 2019	435	69,328	69,763
Changes in Financing Cash Flows			
Repayment of hire purchase	(88)	-	(88)
<u>Addition:</u>			
Transaction costs	-	92	92
As at 31 March 2020	347	69,420	69,767

	Hire purchase creditors RM'000	Borrowings RM'000	Total RM'000
As at 1 October 2018	271	69,111	69,382
Changes in Financing Cash Flows			
Issuance of hire purchase	345	-	345
Repayment of hire purchase	(92)	-	(92)
	253	-	253
<u>Addition:</u>			
Transaction costs	-	100	100
As at 31 March 2019	524	69,211	69,735

PACIFIC & ORIENT INSURANCE CO. BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. BASIS OF PREPARATION

- (i) The condensed interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act 2016 in Malaysia.

The condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2019.

The significant accounting policies adopted by the Company in this condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2019 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board (“MASB”).

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 119	Employee Benefits - Plan Amendment, Curtailment or Settlement

Other than the implications as disclosed below, the adoption of the above MFRSs, Amendments to MFRSs and Interpretation did not have any significant impact on the financial statements of the Company.

1. BASIS OF PREPARATION (CONT'D)

(a) Adoption of MFRS 16 - Leases

MFRS 16 supersedes MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

MFRS 16 has been adopted by the Company from date of initial application of 1 October 2019 using the modified retrospective approach with no restatement of comparative information.

As a lessee

(i) Leases previously classified as operating leases

As at 1 October 2019, the Company recognised right-of-use (“ROU”) assets and lease liabilities for those leases previously classified as operating lease under MFRS 117.

Lease liabilities were measured based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 October 2019. ROU assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

(ii) Leases previously classified as finance leases

The Company recognised the carrying amount of finance lease assets and liabilities as at 30 September 2019 as the carrying amounts of ROU assets and the lease liabilities at the date on initial application.

As a lessor

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.

1. BASIS OF PREPARATION (CONT'D)

(a) Adoption of MFRS 16 - Leases (Cont'd)

The Company has applied the following practical expedients/exemptions under MFRS 16:

- Not assess whether a contract is, or contains a lease as at 1 October 2019. Instead the Company applied MFRS 16 only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 as at 1 October 2019.
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluded the initial direct costs from the measurement of the ROU assets at the date of initial adoption.
- Exempted from recognition as ROU assets and lease liabilities:
 - short-term leases with lease terms of 12 months or less, and which do not contain any purchase option;
 - leases for low-value assets which mainly comprise office and computer equipment, except for those assets which are, or expected to be sub-leased.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Combine each separate lease component and any associated non-lease components and account for them as a single lease component.

The financial effects of adopting MFRS 16 are disclosed below:

	As previously stated at 30 Sept 2019 RM'000	Effects of adopting MFRS 16 RM'000	As restated at 1 Oct 2019 RM'000
<u>Assets</u>			
Right-of-use assets	-	11,740	11,740
<u>Liabilities</u>			
Lease liabilities	-	11,740	11,740

Impact on the Capital Adequacy Ratio (CAR) as at 1 October 2019:

	Before the adoption of MFRS 16	After the adoption of MFRS 16	Variance
CAR (%)	279.4%	276.1%	-3.3%

1. BASIS OF PREPARATION (CONT'D)

(ii) MFRSs, Amendments to MFRSs and Interpretations yet to be effective

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2	Share-Based Payment
Amendment to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral
Amendment to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendment to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to MFRS 138	Intangible Assets
Amendment to IC Interpretation 12	Service Concession Arrangements
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendment to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets - Web Site Costs
Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)	

1. BASIS OF PREPARATION (CONT'D)

(ii) MFRSs, Amendments to MFRSs and Interpretations yet to be effective (Cont'd)

Effective for financial periods beginning on or after 1 January 2021

MFRS 17

Insurance Contracts

Effective date to be announced by Malaysian Accounting Standard Board

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

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

- MFRS 17: Insurance Contracts

MFRS 17 replaces the existing MFRS 4: Insurance Contracts and introduces a single principle-based standard for recognition, measurement, presentation and disclosure of all insurance contracts. MFRS 17 is introduced to address the inconsistency in MFRS 4 which allowed insurers to use different accounting policies to measure insurance contracts in different countries.

MFRS 17 requires entities to recognise and measure a group of insurance contracts at (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information plus (ii) an amount representing the unearned profit in the insurance contracts.

MFRS 17 also requires entities to change the financial statements presentations of insurance service results whereby the insurance revenue is presented separately from insurance finance income or expenses.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Company plans to adopt MFRS 17 on the required effective date and expects that MFRS 17 will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with the Company's financial statements' presentation and disclosure.

The Company completed the gap assessments phase of its MFRS 17 project in last financial year and is in the implementation phase currently.

2. PROPERTY, PLANT AND EQUIPMENT

	←----- Valuation ----->			----- Cost ----->				
	Freehold <u>land</u>	Buildings		Computer <u>equipment</u>	Motor <u>vehicles</u>	Office <u>equipment</u>	Furniture, fixtures and <u>fittings</u>	<u>Total</u>
	RM'000	<u>Freehold</u> RM'000	<u>Leasehold</u> RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020								
<u>Valuation/Cost:</u>								
At 1 October 2019	2,465	921	16,705	5,790	2,253	1,691	3,748	33,573
Additions	-			-	-	19	33	52
Write-offs	-			(45)	-	(41)	-	(86)
At 31 March 2020	<u>2,465</u>	<u>921</u>	<u>16,705</u>	<u>5,745</u>	<u>2,253</u>	<u>1,669</u>	<u>3,781</u>	<u>33,539</u>
<u>Accumulated depreciation:</u>								
At 1 October 2019	-	62	1,858	5,765	976	1,543	3,407	13,611
Charge for the period	-	15	464	2	80	20	41	622
Write-offs	-			(45)	-	(38)	-	(83)
At 31 March 2020	<u>-</u>	<u>77</u>	<u>2,322</u>	<u>5,722</u>	<u>1,056</u>	<u>1,525</u>	<u>3,448</u>	<u>14,150</u>
<u>Net carrying value:</u>								
At 31 March 2020	<u>2,465</u>	<u>844</u>	<u>14,383</u>	<u>23</u>	<u>1,197</u>	<u>144</u>	<u>333</u>	<u>19,389</u>

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

	←-----Valuation-----→			←-----Cost-----→				Total RM'000
	Freehold land RM'000	Buildings Freehold RM'000	Leasehold RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	
2019								
<u>Valuation/Cost:</u>								
At 1 October 2018	2,465	921	16,705	5,790	1,832	1,680	3,759	33,152
Additions	-	-	-	-	421	15	29	465
Write-offs	-	-	-	-	-	(4)	(40)	(44)
At 30 September 2019	2,465	921	16,705	5,790	2,253	1,691	3,748	33,573
<u>Accumulated depreciation:</u>								
At 1 October 2018	-	31	929	5,761	820	1,503	3,363	12,407
Charge for the year	-	31	929	4	156	43	83	1,246
Write-offs	-	-	-	-	-	(3)	(39)	(42)
At 30 September 2019	-	62	1,858	5,765	976	1,543	3,407	13,611
<u>Net carrying value:</u>								
At 30 September 2019	2,465	859	14,847	25	1,277	148	341	19,962

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

- (a) The property, plant and equipment consist of freehold land and buildings, leasehold buildings, computer equipment, motor vehicles, office equipment, and furniture, fixtures and fittings. All items of property, plant and equipment are initially recorded at cost. 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.

Freehold land and buildings and leasehold buildings were stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment loss.

The freehold land and buildings and leasehold buildings were revalued as at 30 September 2017 based on valuation carried out by independent valuers of Messrs. Rahim & Co. on an open market value basis using the comparison method. 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.

The fair value of the freehold land and buildings and leasehold buildings are categorised within level 3 of the fair value hierarchy.

- (b) The net carrying values of the freehold land and buildings and leasehold buildings of the Company had the cost model been applied, compared to the revaluation model as at 31 March 2020 are as follows:

	<u>Net Carrying Value</u>		<u>Net Carrying Value</u>	
	<u>31 March 2020</u>		<u>30 September 2019</u>	
	Under	Under	Under	Under
	Revaluation	Cost	Revaluation	Cost
	Model	Model	Model	Model
	RM'000	RM'000	RM'000	RM'000
Freehold land	2,465	380	2,465	380
Freehold buildings	844	226	859	230
Leasehold buildings	14,383	5,509	14,847	5,669
	<u>17,692</u>	<u>6,115</u>	<u>18,171</u>	<u>6,279</u>

3. INVESTMENTS

	31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
(a) Fair value through profit or loss ("FVTPL") financial assets:		
<u>At fair value:</u>		
Quoted shares	18,404	18,555
Unit trusts	133,956	162,954
	<u>152,360</u>	<u>181,509</u>
(b) Fair value through other comprehensive income ("FVOCI") financial assets:		
<u>At fair value:</u>		
Quoted shares	10,657	11,984
Corporate debt securities	60,620	20,042
	<u>71,277</u>	<u>32,026</u>
(c) Financial assets at amortised cost:		
Deposits and placements with licensed financial institutions: *		
Commercial banks	283,059	301,647
Investment banks	12,474	23,361
	<u>295,533</u>	<u>325,008</u>
Total investments	<u>519,170</u>	<u>538,543</u>

* The carrying value of the fixed and call deposits with licensed banks approximates fair value due to the relatively short term maturities.

3. INVESTMENTS (CONT'D.)

(d) Carrying values of investments:

	<u>FVTPL</u>	<u>AFS</u>	<u>FVOCI</u>	<u>L&R</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2019	181,509	-	32,026	325,008	538,543
Additions	8,140	-	40,000	-	48,140
Placements	-	-	-	40,237	40,237
Disposals	(30,800)	-	-	-	(30,800)
Maturities	-	-	-	(69,713)	(69,713)
Fair value loss recorded in other comprehensive income	-	-	(748)	-	(748)
Fair value gains recorded in profit or loss	(6,489)	-	-	-	(6,489)
At 31 March 2020	<u>152,360</u>	<u>-</u>	<u>71,278</u>	<u>295,532</u>	<u>519,170</u>

(e) Carrying values of investments: (Cont'd.)

	<u>FVTPL</u>	<u>AFS</u>	<u>FVOCI</u>	<u>L&R</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2018	2,180	103,023	-	452,816	558,019
Effects of adopting MFRS 9	88,812	(103,023)	14,211	-	-
Additions	209,730	-	20,000	-	229,730
Placements	-	-	-	173,728	173,728
Disposals	(117,392)	-	-	-	(117,392)
Maturities	-	-	-	(301,536)	(301,536)
Fair value loss recorded in other comprehensive income	-	-	(2,185)	-	(2,185)
Fair value gains recorded in profit or loss	(1,821)	-	-	-	(1,821)
At 30 September 2019	<u>181,509</u>	<u>-</u>	<u>32,026</u>	<u>325,008</u>	<u>538,543</u>

Included in deposits and placements of the Company is an amount of RM106,623 (30 September 2019: RM104,953) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

4. REINSURANCE ASSETS

		31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
Reinsurance of insurance contracts:			
- Claims liabilities	8.1	136,782	130,564
- Premium liabilities	8.2	48,648	31,377
		<u>185,430</u>	<u>161,941</u>

5. INSURANCE RECEIVABLES

		31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance		4,441	4,193
Due from reinsurers and ceding companies		4,014	21,841
		<u>8,455</u>	<u>26,034</u>
Allowance for impairment		(1,366)	(1,242)
		<u>7,089</u>	<u>24,792</u>

The movement of the allowance accounts used to record the impairment of receivables at the reporting date is as follows:

		31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
As at 30 September 2018, as previously stated			1,575
Impact of adopting MFRS 9			(389)
At 1 October 2019/2018		1,242	1,186
Allowance for impairment		124	56
At 31 March 2020/30 September 2019		<u>1,366</u>	<u>1,242</u>

6. CASH AND CASH EQUIVALENTS

		31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
Deposits and placements with licensed commercial banks (with maturity of less than three months)		6,450	16,155
Cash and bank balances		23,513	2,462
		<u>29,963</u>	<u>18,617</u>

7. SHARE OPTIONS RESERVE

The share options reserve arises on the grant of share options to employees under the employees' share options scheme ("ESOS").

Under Pacific & Orient Berhad's ESOS, restrictive share options were granted to eligible employees of the Company at the specific price. These options will be exercised each year over the period of 5 years from the grant date. The total value of the options recognised in year 2019 was RM550,272.

The share options of the Company granted under the ESOS that are still outstanding for the period ended 31 March 2020 is as follows:

Grant Date	Expiry Date	Exercise Price	Number of Options							
			Outstanding as at 1 October 2019	Granted during the period	Recognised during the period	Expired during the period	Forfeited during the period	Exercised during the period	Outstanding as at 31 March 2020	Exercisable as at 31 March 2020
13 September 2019	16 June 2024	RM0.89	10,269,000	-	1,037,042	-	81,000	66,000	10,122,000	4,143,000.00

The movement in share options reserve is presented as follows:

	<u>Number of options</u>	<u>Amount</u> RM'000
Share options reserve at 1 October 2019	6,364,083	550,272
Options recognised during the period	1,037,042	88,839
Forfeited during the period	(81,000)	(7,039)
Exercised during the period	(66,000)	-
Share options reserve at 31 March 2020	<u>7,254,125</u> ¹	<u>632,072</u> ²

7. SHARE OPTIONS RESERVE (CONT'D)

The movement in share options reserve is presented as follows: (Cont'd)

	<u>Number of options</u>	<u>Amount RM'000</u>
Share options reserve at 1 October 2018	-	-
Options recognised during the year	6,403,083	552,714
Forfeited during the year	(28,000)	(2,442)
Exercised during the year	<u>(11,000)</u>	<u>-</u> ²
Share options reserve at 30 September 2019	<u><u>6,364,083</u></u> ¹	<u><u>550,272</u></u>

¹ As at 31 March 2020, the number of vested and exercisable options was 4,143,000 (30 September 2019: 4,290,000 options).

² No financial impact was recorded by POI when the share options were exercised as this relates to shares of Pacific & Orient Berhad.

8. INSURANCE CONTRACT LIABILITIES

	←----- 31 March 2020 -----→			←----- 30 September 2019 -----→		
	Gross RM'000	Reinsurance RM'000 (Note 4)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 4)	Net RM'000
General insurance	<u>542,210</u>	<u>(185,430)</u>	<u>356,780</u>	<u>515,060</u>	<u>(161,941)</u>	<u>353,119</u>

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

		←----- 31 March 2020 -----→			←----- 30 September 2019 -----→		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provisions for claims reported		255,309	(93,135)	162,174	248,928	(88,379)	160,549
Provision for Incurred But Not Reported ("IBNR")		120,913	(33,040)	87,873	117,188	(31,990)	85,198
Provision of Risk Margin for Adverse Deviation ("PRAD")		30,427	(10,607)	19,820	29,348	(10,195)	19,153
Claims Liabilities	8.1	<u>406,649</u>	<u>(136,782)</u>	<u>269,867</u>	<u>395,464</u>	<u>(130,564)</u>	<u>264,900</u>
Premium Liabilities	8.2	135,561	(48,648)	86,913	119,596	(31,377)	88,219
		<u>542,210</u>	<u>(185,430)</u>	<u>356,780</u>	<u>515,060</u>	<u>(161,941)</u>	<u>353,119</u>

8. INSURANCE CONTRACT LIABILITIES (CONT'D.)

8.1 Claims Liabilities

	Note	<----- 31 March 2020 ----->			<----- 30 September 2019 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2019/2018		395,464	(130,564)	264,900	413,458	(134,956)	278,502
Claims incurred in the current accident period/year (direct and facultative)		83,975	(25,584)	58,391	158,856	(45,100)	113,756
Adjustment to claims incurred in prior accident years (direct and facultative)		572	(1,205)	(633)	(13,199)	(4,192)	(17,391)
Claims incurred during the period/year (treaty inwards claims)		124	-	124	50	-	50
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidence level		1,080	(412)	668	(996)	1,533	537
Movement in claims handling expenses		229	-	229	1,040	-	1,040
Claims paid during the period/year	16	(74,794)	20,981	(53,813)	(163,745)	52,151	(111,594)
At 31 March 2019/30 September 2018		<u>406,650</u>	<u>(136,784)</u>	<u>269,866</u>	<u>395,464</u>	<u>(130,564)</u>	<u>264,900</u>

8. INSURANCE CONTRACT LIABILITIES (CONT'D.)

8.2 Premium Liabilities

		<----- 31 March 2020 ----->			<----- 30 September 2019 ----->		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2019/2018		119,596	(31,377)	88,219	120,670	(36,847)	83,823
Premiums written during the period/year	11	159,947	(70,920)	89,027	280,953	(102,169)	178,784
Premiums earned during the period/year	11	(143,982)	53,649	(90,334)	(282,027)	107,639	(174,388)
At 31 March 2020/30 September 2019		<u>135,561</u>	<u>(48,648)</u>	<u>86,913</u>	<u>119,596</u>	<u>(31,377)</u>	<u>88,219</u>

9. INSURANCE PAYABLES

	31 March 2020 RM'000	30 September 2019 RM'000
Due to reinsurers and ceding companies	13,235	12,585
Due to agents, brokers, co-insurers and insureds	2,683	2,108
	<u>15,918</u>	<u>14,693</u>

10. BORROWINGS

	Effective Interest Rate per annum	Maturity	31 March 2020 RM'000	30 September 2019 RM'000
<u>Unsecured</u>				
Subordinated Notes	7.74%	2022	69,420	69,328
Amount due within 2 to 5 years			<u>69,420</u>	<u>69,328</u>

During the financial year ended 30 September 2012, the Company had established a Subordinated Notes (“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 tenure 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 its holding company whilst the remaining RM35,000,000 were subscribed by a third party.

11. NET EARNED PREMIUMS

	Note	6 months ended 31 March 2020 RM'000	6 months ended 31 March 2019 RM'000
(a) Gross premiums	8.2	159,947	159,970
Change in premium liabilities		(15,964)	(16,683)
Gross earned premiums		<u>143,983</u>	<u>143,287</u>
(b) Gross premiums ceded to reinsurers	8.2	(70,920)	(64,984)
Change in premium liabilities		17,271	9,769
Premiums ceded to reinsurers		<u>(53,649)</u>	<u>(55,215)</u>
Net earned premiums		<u>90,334</u>	<u>88,072</u>

12. INVESTMENT INCOME

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Dividend income:		
- shares quoted in Malaysia	668	203
- unit trust	3,105	1,905
Interest income:		
- deposits and placements with financial institutions	5,821	6,596
Income from Islamic fixed deposits	2,012	3,425
Rental of properties:		
- third parties	13	12
- fellow subsidiary company	15	15
- holding company	131	131
Investment income from:		
- Malaysian Motor Insurance Pool ("MMIP")	769	1,280
	<u>12,534</u>	<u>13,567</u>

13. REALISED GAINS/(LOSSES)

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Realised gains/(losses):		
- FVTPL:		
Quoted in Malaysia	816	84
Unit trusts	-	(4)
- Foreign exchange	-	(9)
	<u>816</u>	<u>71</u>

14. FAIR VALUE (LOSSES)/GAINS

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Fair value (losses)/gains:		
(Loss)/gain on fair value of investments held as fair value through profit or loss	<u>(6,489)</u>	<u>(950)</u>

15. OTHER OPERATING REVENUE/(EXPENSES)

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Other operating revenue:		
Sundry income	<u>28</u>	<u>45</u>
	<u>28</u>	<u>45</u>
Other operating expenses:		
Assets written off	3	1
Other expenses	<u>483</u>	<u>131</u>
	<u>486</u>	<u>132</u>

16. NET CLAIMS INCURRED

		6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
	Note		
Gross claims paid	8.1	(74,794)	(75,277)
Claims ceded to reinsurers	8.1	20,981	21,382
Gross (increase)/decrease in insurance contract liabilities		(11,185)	(1,948)
Change in insurance contract liabilities ceded to reinsurers		<u>6,219</u>	<u>10,456</u>
		<u>(58,779)</u>	<u>(45,387)</u>

17. MANAGEMENT EXPENSES

	Note	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Chief executive officer's remuneration	18	431	370
Staff salaries and bonus		10,018	10,774
Allowance for unutilised leave		(177)	(144)
Pension costs - defined contribution plan		1,219	1,314
Other staff benefits		1,048	842
Depreciation of property, plant and equipment		622	620
Depreciation of Right-Of-Use Assets		3,135	-
Amortisation:			
- prepaid land lease payments		2	2
- intangible assets		208	227
Auditors' remuneration			
- Statutory audit		110	105
- Other regulatory related services		21	17
Executive Director's remuneration	18	25	20
Non-Executive Directors' remuneration	18	156	145
Allowance for impairment of insurance receivables		125	-
Write back in allowance for impairment of :			
- insurance receivables		-	(13)
- reinsurers		-	(1,010)
Rental of properties:			
- third parties		-	262
- fellow subsidiary company		-	107
Management fees to holding company		616	616
Call centre service charges to:			
- third parties		26	83
- fellow subsidiary company		269	269
Rental of equipment:			
- third parties		19	26
- fellow subsidiary company		146	2,595
Printing and information system expenses		7,405	7,764
Business development		6,093	5,308
Levy		346	235
Credit card charges		1,114	1,270
Office administration and utilities		867	842
MMIP expenses		572	261
Professional fees		925	1,016
Motor vehicle expenses		292	304
Travelling and transport expenses		68	78
Road Transport Department access fees		150	156
Motor Assist & Towing Services		410	380
Other expenses		416	468
		<u>36,677</u>	<u>35,309</u>

18. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	Note	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
<u>Chief Executive Officer:</u>			
- Salary		330	330
- Bonus		55	-
- Pension costs - defined contribution plan		46	40
- Benefits-in-kind		30	12
		<u>461</u>	<u>382</u>
Total Chief Executive Officer's remuneration excluding benefits-in-kind	17	<u>431</u>	<u>370</u>
<u>Executive Director:</u>			
- Fees	17	<u>25</u>	<u>20</u>
		<u>25</u>	<u>20</u>
<u>Non-Executive Directors:</u>			
- Fees	17	156	145
- Benefits-in-kind		9	7
		<u>165</u>	<u>152</u>
Total Executive and Non-Executive Directors' remuneration		<u>190</u>	<u>172</u>

The number of Executive Officer and Directors whose total remuneration received during the six months period falls within the following bands is:

	6 months ended 31 March <u>2020</u>	6 months ended 31 March <u>2019</u>
<u>Executive Officer:</u>		
RM400,001 - RM700,000	1	1
<u>Executive Director:</u>		
RM20,001 - RM25,000	1	1

18. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONT'D.)

The number of Executive Officer and Directors whose total remuneration received during the six months period falls within the following bands is: (Cont'd.)

Non-Executive Directors:

Below RM20,000	1	-
RM20,001 - RM25,000	-	1
RM25,001 - RM30,000	-	-
RM30,001 - RM35,000	3	4
RM35,001 - RM40,000	1	-
	1	-

The total remuneration received by the Executive and Non-Executive Directors during the period was as follows:

	<u>Fees</u>	<u>Benefits-in- Kind</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>As at 31 March 2020</u>			
Pn. Norazian binti Ahmad Tajuddin	40	1	41
Mr. Chan Thye Seng	25	-	25
Dato' Dr. Zaha Rina binti Zahari	35	2	37
Mr. Prasheem Seebran	35	3	38
Dr. Loh Leong Hua (Appointed on 1 July 2019)	35	3	38
Mr. Lim Tian Huat (Appointed on 31 January 2020)	11	-	11
	181	9	190

As at 31 March 2019

Pn. Norazian binti Ahmad Tajuddin	35	1	36
Mr. Chan Thye Seng	20	-	20
Dato' Dr. Zaha Rina binti Zahari	30	2	32
Mr. Prasheem Seebran	30	4	34
Mr. Michael Yee Kim Shing (Resigned on 4 February 2019)	20	-	20
Madam Sum Leng Kuang (Resigned on 1 August 2019)	30	-	30
	165	7	172

19. FINANCE COSTS

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
Hire-purchase interest	9	7
Interest expense on borrowings	2,759	2,753
Interest on lease liabilities	478	-
Others	2	2
	<u>3,248</u>	<u>2,762</u>

20. TOTAL CAPITAL AVAILABLE

The capital structure of the Company, as prescribed under the Risk-Based Capital Framework was provided below:

	31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	72,135	105,920
	<u>172,135</u>	<u>205,920</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	27,768	27,731
Revaluation reserve	12,378	12,378
FVOCI reserve	1,373	1,941
	<u>41,519</u>	<u>42,050</u>
Amounts deducted from Capital	<u>(1,482)</u>	<u>(1,357)</u>
Total Capital Available	<u>212,172</u>	<u>246,613</u>

21. COMMITMENTS AND CONTINGENCIES

	31 March <u>2020</u> RM'000	30 September <u>2019</u> RM'000
(i) <u>Non-cancellable operating lease commitments</u>		
Future minimum lease payments are as follows:		
Not later than 1 year	1,190	3,867
Later than 1 year and not later than 5 years	12,964	5,203
	<u>14,154</u>	<u>9,070</u>

These represent operating lease commitments for computer and office equipment of the Company.

(ii) Contingent Liabilities

On 10 August 2016, the Malaysia Competition Commission (“MyCC”) through its powers granted under the Competition Act 2010 (“Act”) commenced investigations into an alleged infringement by the Persatuan Insurans Am Malaysia (“PIAM”) and its 22 members including the Company under the Section 4(2)(a) of the Act.

The alleged infringement is in relation to an agreement reached, pursuant to a requirement of Bank Negara Malaysia, between PIAM and the Federation of Automobile Workshop Owners’ Association of Malaysia (“FAWOAM”) on trade discount rates for parts of certain vehicle makes and labour hour rates for workshops under the PIAM Approved Repairers Scheme.

On 22 February 2017, MyCC issued its Proposed Decision on the alleged infringement which includes proposed financial penalties amounting to a total of RM213,454,814 on all the 22 members. The proposed financial penalty on the Company is RM2,108,452.

This Proposed Decision is subject to both written and oral representations from various parties including PIAM and the respective insurers. On 25 April 2017, the Company had via its legal counsel submitted its written representation to MyCC. The first session of the oral representations to MyCC took place on 16 and 17 October 2017. The subsequent sessions of the oral representations to MyCC took place on 12 and 14 December 2017, 29 and 30 January 2018, 19, 20 and 21 February 2019. BNM and FAWOAM were invited at the hearing of the oral representations on 21 February 2019. The oral representation from all relevant insurers, as represented by counsels, was concluded on 18 June 2019.

On 6 August 2019, MyCC has made a statement that they are likely to reach its decision on the proposed financial penalties against PIAM and 22 of its members in 2020.

In the event MyCC intends to enforce the Proposed Decision, it is likely that the insurers will appeal the matter to the Courts.

22. AUDIT QUALIFICATION OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

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

23. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Company is not subject to any significant seasonal or cyclical fluctuations.

24. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOWS

There were no unusual items that affect the assets, liabilities, equity, net income or cash flows of the Company for the financial period ended 31 March 2020.

25. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior periods that have a material effect for the financial period ended 31 March 2020.

26. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period ended 31 March 2020.

27. DIVIDENDS PAID

	6 months ended 31 March <u>2020</u> RM'000	6 months ended 31 March <u>2019</u> RM'000
<u>In respect of the financial year ended 30 September 2019:</u>		
Final single tier dividend of 25.00 sen per share, declared on 18 February 2020 and paid on 20 February 2020	25,000	-
<u>In respect of the financial year ended 30 September 2018:</u>		
Final single tier dividend of 45.00 sen per share, declared on 19 February 2019 and paid on 21 February 2019	-	45,000
	<u>25,000</u>	<u>45,000</u>

28. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

There were no material events subsequent to the end of the financial period reported that require disclosure or adjustments to the unaudited condensed interim financial statements.

29. EFFECT OF CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company for the financial period ended 31 March 2020.