

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 2021

Registration No. 197201000959 (12557-W)

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

CONTENTS

	<u>PAGE</u>
Condensed Statement of Financial Position	1
Condensed Statement of Changes in Equity	2 - 3
Condensed Income Statement	4
Condensed Statement of Comprehensive Income	5
Condensed Statement of Cash Flows	6
Notes to the Unaudited Condensed Interim Financial Statements	7 - 31

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

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	As at 31 March 2021 RM'000	As at 30 September 2020 RM'000
ASSETS			
Property, plant and equipment	3	19,354	19,967
Investment properties	4	655	655
Intangible assets		1,285	1,305
Right-of-use assets		6,496	8,095
Tax recoverable		1,233	-
Investments	5	550,904	538,024
Reinsurance assets	6	205,000	172,640
Insurance receivables	7	4,709	17,655
Other receivables	8	55,079	57,834
Cash and cash equivalents	9	40,974	21,737
TOTAL ASSETS		885,689	837,912
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		13,763	13,763
Share options reserve		834	771
Fair value through other comprehensive income ("FVOCI") reserve		12,082	6,301
Retained profits		86,100	91,173
TOTAL EQUITY		212,779	212,008
Insurance contract liabilities	10	552,615	524,336
Deferred tax liabilities		6,287	4,313
Lease Liabilities		6,057	7,595
Borrowings	11	69,654	69,524
Insurance payables	12	29,648	11,910
Tax payables		-	391
Other payables		8,649	7,835
TOTAL LIABILITIES		672,910	625,904
TOTAL EQUITY AND LIABILITIES		885,689	837,912

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 2020 and the accompanying explanatory notes on pages 7 to 31 attached to the unaudited condensed financial statements.

The unaudited financial statements were approved for issue by the Board of Directors on 20 May 2021.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	←----- Non-Distributable ----->				Distributable	
	Share capital	Revaluation reserve	Share options reserve	FVOCI reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2020	100,000	13,763	771	6,301	91,173	212,008
Net profit for the period	-	-	-	-	2,427	2,427
Other comprehensive income for the period	-	-	-	5,781	-	5,781
Total comprehensive income for the period	-	-	-	5,781	2,427	8,208
Dividends (Note 29)	-	-	-	-	(7,500)	(7,500)
Share options vested under Employee Share Option Scheme ("ESOS")	-	-	63	-	-	63
At 31 March 2021	100,000	13,763	834	12,082	86,100	212,779

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

	←----- Non-Distributable ----->				Distributable	
	Share capital	Revaluation reserve	Share options reserve	FVOCI reserve	Retained profits	Total
	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 loss for the period	-	-	-	(568)	(8,792)	(9,360)
Dividends (Note 29)	-	-	-	-	(25,000)	(25,000)
Share options vested under ESOS	-	-	82	-	7	89
At 31 March 2020	100,000	12,378	633	1,373	72,135	186,519

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PACIFIC & ORIENT INSURANCE CO. BERHAD
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CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2021

		6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Operating revenue		<u>134,385</u>	<u>156,517</u>
Gross earned premiums		125,837	143,983
Premiums ceded to reinsurers		<u>(54,549)</u>	<u>(53,649)</u>
Net earned premiums	13	<u>71,288</u>	<u>90,334</u>
Investment income	14	8,548	12,534
Fair value gains/(losses)	15	3,160	(6,489)
Commission income		<u>13,550</u>	<u>13,266</u>
Other revenue		<u>25,258</u>	<u>19,311</u>
Gross claims paid		(56,301)	(74,794)
Claims ceded to reinsurers		15,765	20,981
Gross change in insurance contract liabilities		(15,997)	(11,185)
Change in insurance contract liabilities ceded to reinsurers		<u>17,344</u>	<u>6,219</u>
Net claims incurred	16	<u>(39,189)</u>	<u>(58,779)</u>
Commission expenses		(17,760)	(20,099)
Management expenses	17	(33,206)	(36,677)
Realised (losses)/gains, net	19	(549)	816
Other operating expenses, net	20	(336)	(458)
Finance costs	21	<u>(3,001)</u>	<u>(3,248)</u>
Other expenses		<u>(54,852)</u>	<u>(59,666)</u>
Profit/(Loss) before taxation		2,505	(8,800)
Taxation		<u>(78)</u>	<u>8</u>
Net profit/(loss) for the period		<u>2,427</u>	<u>(8,792)</u>
Basic earnings/(loss) per share (sen)		<u>2.43</u>	<u>(8.79)</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 2020 and the accompanying explanatory notes on pages 7 to 31 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 2021

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Net profit/(loss) for the period	<u>2,427</u>	<u>(8,792)</u>
Other comprehensive income/(loss):		
<u>Items that may be reclassified to income statement in subsequent periods:</u>		
Fair value changes in investments through other comprehensive income ("FVOCI")		
- Gross loss on fair value changes: Corporate debt securities	(1,432) (1,432)	(748) (748)
<u>Items that will not be reclassified to income statement in subsequent periods:</u>		
Fair value changes in investments through other comprehensive income ("FVOCI")		
- Gross gain on fair value changes: Quoted securities	9,039 9,039	- -
Other comprehensive income/(loss) for the year	<u>7,607</u>	<u>(748)</u>
Deferred tax impacts	(1,826)	180
Other comprehensive income/(loss) for the period, net of tax	<u>5,781</u>	<u>(568)</u>
Total comprehensive income/(loss) for the period	<u><u>8,208</u></u>	<u><u>(9,360)</u></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 2020 and the accompanying explanatory notes on pages 7 to 31 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 2021

	Note	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations		24,533	34,084
Net tax paid		(1,555)	(2,793)
Dividends received		4,413	3,773
Interest received		3,897	5,891
Profit received from Islamic fixed deposits		229	1,965
Interest paid		(2,658)	(2,676)
Net cash generated from operating activities		28,859	40,244
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds on disposal of property, plant and equipment		1	-
Purchase of property, plant and equipment		(21)	(53)
Purchase of intangible assets		(215)	(332)
Net cash flows used in investing activities		(235)	(385)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	29	(7,500)	(25,000)
Repayment of lease liabilities		(1,887)	(3,426)
Decrease in hire purchase creditors		-	(87)
Net cash used in financing activities		(9,387)	(28,513)
Net increase in cash and cash equivalents		19,237	11,346
Cash and cash equivalents at beginning of period		21,737	18,617
Cash and cash equivalents at end of period	9	40,974	29,963

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2021

1. CORPORATE INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business.

There have been no significant changes in the nature of this principal activity during the financial period.

The Company is a public company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The holding and ultimate holding company is Pacific & Orient Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION

- (i) The unaudited condensed interim financial statements for the six months ended 31 March 2017 have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting. The unaudited condensed interim financial statements also comply with the International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

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 2020.

(ii) Significant Accounting Policies

- (a) 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 2020 except for the adoption of the following Amendments to MFRSs and Interpretations issued by the Malaysian Accounting Standards Board (“MASB”) which are mandatory for annual periods beginning on or after 1 January 2020 and 1 June 2020.

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2

Share-Based Payment

Amendment to MFRS 3

Business Combinations – Definition of a business

2. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

- (a) 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 2020 except for the adoption of the following Amendments to MFRSs and Interpretations issued by the Malaysian Accounting Standards Board (“MASB”) which are mandatory for annual periods beginning on or after 1 January 2020 and 1 June 2020. (Cont'd.)

Effective for financial periods beginning on or after 1 January 2020 (Cont'd.)

Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendment to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements – Definition of material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments 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)

2. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

- (a) 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 2020 except for the adoption of the following Amendments to MFRSs and Interpretations issued by the Malaysian Accounting Standards Board (“MASB”) which are mandatory for annual periods beginning on or after 1 January 2020 and 1 June 2020. (Cont'd.)

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16	Leases – Covid-19 Related Rent Concessions
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The adoption of the above Amendments to MFRSs and Interpretations did not have any significant impact on the financial statements of the Company.

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

Effective for financial periods beginning on or after 1 January 2021

Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16).

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16	Leases – Covid-19 Related Rent Concessions Beyond 30 June 2021
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Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
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Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework
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Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
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Amendments to MFRS 16	Leases (Annual Improvements to MFRS Standards 2018–2020)
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Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
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2. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

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

Effective for financial periods beginning on or after 1 January 2022 (Cont'd.)

Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018-2020)

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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 Group, 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.

2. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

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

Effective date to be announced by Malaysian Accounting Standard Board (Cont'd.)

- MFRS 17: Insurance Contracts (Cont'd.)

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 2023, 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 a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company 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.

3. PROPERTY, PLANT AND EQUIPMENT

	←----- Valuation -----→			←----- Cost -----→				
	Freehold <u>land</u> RM'000	Buildings <u>Freehold</u> RM'000	<u>Leasehold</u> RM'000	Computer <u>equipment</u> RM'000	Motor <u>vehicles</u> RM'000	Office <u>equipment</u> RM'000	Furniture, fixtures and <u>fittings</u> RM'000	<u>Total</u> RM'000
2021								
<u>Valuation/Cost:</u>								
At 1 October 2020	2,540	866	15,660	5,783	1,195	1,657	3,789	31,490
Additions	-	-	-	5	-	16	-	21
Disposals	-	-	-	-	-	(4)	-	(4)
Write-offs	-	-	-	-	-	(1)	(8)	(9)
At 31 March 2021	2,540	866	15,660	5,788	1,195	1,668	3,781	31,498
<u>Accumulated depreciation:</u>								
At 1 October 2020	-	-	-	5,726	779	1,531	3,487	11,523
Charge for the period	545	-	-	5	30	14	37	631
Disposals	-	-	-	-	-	(1)	-	(1)
Write-offs	-	-	-	-	-	(1)	(8)	(9)
At 31 March 2021	545	-	-	5,731	809	1,543	3,516	12,144
<u>Net carrying value:</u>								
At 31 March 2021	1,995	866	15,660	57	386	125	265	19,354

3. 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	
At 1 October 2019	2,465	921	16,705	5,790	1,195	1,691	3,748	32,515
Revaluation surplus	75	38	2,108	-	-	-	-	2,221
Additions	-	-	-	38	-	21	44	103
Disposals	-	-	(445)	-	-	-	-	(445)
Write-offs	-	-	-	(45)	-	(55)	(3)	(103)
Elimination of accumulated depreciation on revaluation	-	(93)	(2,708)	-	-	-	-	(2,801)
At 30 September 2020	2,540	866	15,660	5,783	1,195	1,657	3,789	31,490
<u>Accumulated depreciation:</u>								
At 1 October 2019	-	62	1,858	5,765	721	1,543	3,407	13,356
Charge for the year	-	31	921	6	58	40	83	1,139
Disposals	-	-	(71)	-	-	-	-	(71)
Write-offs	-	-	-	(45)	-	(52)	(3)	(100)
Elimination of accumulated depreciation on revaluation	-	(93)	(2,708)	-	-	-	-	(2,801)
At 30 September 2020	-	-	-	5,726	779	1,531	3,487	11,523
<u>Net carrying value:</u>								
At 30 September 2020	2,540	866	15,660	57	416	126	302	19,967

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

- (a) The freehold land and buildings and leasehold buildings were revalued as at 30 September 2017 based on valuation carried out by an independent professional valuer, Messrs. Rahim & Co. on an open market value basis using the comparison method.

A desktop valuation on freehold land and buildings and leasehold buildings of the Company was conducted by Messrs. Rahim & Co. in the financial year ended 30 September 2020.

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

There are no changes to the valuation technique and fair value hierarchy in the current financial period.

- (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 2021 are as follows:

	←-----Net Carrying Value-----→			
	31 March 2021		30 September 2020	
	Under Revaluation Model RM'000	Under Cost Model RM'000	Under Revaluation Model RM'000	Under Cost Model RM'000
Freehold land	1,995	380	2,540	380
Freehold buildings	866	199	866	203
Leasehold buildings	15,660	4,410	15,660	4,539
	<u>18,521</u>	<u>4,989</u>	<u>19,066</u>	<u>5,122</u>

- (c) During the period, the Company acquired property, plant and equipment by:

	31 March 2021 RM'000	30 September 2020 RM'000
Cash	<u>21</u>	<u>103</u>

4. INVESTMENT PROPERTIES

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
<u>At fair value</u>		
At 1 October	655	1,220
Disposal during the year	-	(565)
At 31 March 2021/30 September 2020	<u>655</u>	<u>655</u>

Analysed as:

Freehold buildings	<u>655</u>	<u>655</u>
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Investment properties were revalued as at 30 September 2017 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

A desktop valuation on investment properties of the Company was conducted by Messrs. Rahim & Co. in the financial year ended 30 September 2020 and no adjustment to the financial statements is made as their carrying values are not materially different from their market values.

The Company has assessed that the existing use of its investment properties to be the most appropriate, and at its highest and best use.

The fair value of the investment properties are categorised within Level 3 of the fair value hierarchy.

5. INVESTMENTS

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
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The Company's investment are summarised by categories as follows:

- (a) Financial assets at fair value through profit or loss ("FVTPL"):

At fair value:

Mandatorily measured:

Quoted shared in Malaysia	20,294	18,396
Unit trusts	345,300	345,172
Warrants	2,473	597
	<u>368,067</u>	<u>364,165</u>

5. INVESTMENTS (CONT'D.)

	31 March	30 September
	<u>2021</u>	<u>2020</u>
	RM'000	RM'000
The Company's investment are summarised by categories as follows: (Cont'd.)		
(b) Financial assets at fair value through other comprehensive income ("FVOCI"):		
<u>At fair value:</u>		
Designated upon initial recognition:		
Quoted shares in Malaysia *	22,886	13,750
Mandatorily measured:		
Corporate debt securities	61,520	62,952
	<u>84,406</u>	<u>76,702</u>
* Financial assets designated at FVOCI include investments in equity shares of listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at FVOCI as the Company considers these investments to be strategic in nature.		
(c) Financial assets at amortised cost:		
Deposits and placements with licensed financial institutions: ^		
Commercial banks	60,240	97,157
Investment banks	38,191	-
	<u>98,431</u>	<u>97,157</u>
Total investments	<u>550,904</u>	<u>538,024</u>

Included in deposits and placements of the Company is an amount of RM109,410 (2020: RM108,213) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

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

6. REINSURANCE ASSETS

		31 March	30 September
		<u>2021</u>	<u>2020</u>
	Note	RM'000	RM'000
Reinsurance of insurance contracts:			
Claims liabilities	10.1	158,731	141,386
Premium liabilities	10.2	46,269	31,254
		<u>205,000</u>	<u>172,640</u>

7. INSURANCE RECEIVABLES

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance	2,450	4,964
Due from reinsurers and ceding companies	2,902	13,736
	<u>5,352</u>	<u>18,700</u>
Allowance for impairment	(643)	(1,045)
	<u>4,709</u>	<u>17,655</u>

The carrying amounts of insurance receivables above approximate their respective fair values due to the relatively short-term maturity of these balances.

8. OTHER RECEIVABLES

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
<u>At amortised cost:</u>		
Due from fellow subsidiary company	963	439
Accrued income	1,145	2,245
Share of net assets held under the Malaysian Motor Insurance Pool ("MMIP")	47,366	49,749
Deposits and prepayments	1,310	1,436
Tax recoverable	368	368
Amount due from Royal Malaysian Customs Department ("RMCD"):		
- Goods and services tax ("GST") recoverable	142	142
- Sales and services tax ("SST") recoverable	2,864	2,864
Others	921	591
	<u>55,079</u>	<u>57,834</u>

9. CASH AND CASH EQUIVALENTS

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
Deposits and placements with licensed commercial bank (with original maturity period of less than three months)	38,503	19,313
Cash and bank balances	2,471	2,424
	<u>40,974</u>	<u>21,737</u>

10. INSURANCE CONTRACT LIABILITIES

	←----- 31 March 2021 -----→			←----- 30 September 2020 -----→		
	Gross RM'000	Reinsurance RM'000 (Note 6)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 6)	Net RM'000
General insurance	<u>552,615</u>	<u>(205,000)</u>	<u>347,615</u>	<u>524,336</u>	<u>(172,640)</u>	<u>351,696</u>

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

		←----- 31 March 2021 -----→			←----- 30 September 2020 -----→		
Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	
Provisions for claims reported	286,936	(113,807)	173,129	271,548	(100,446)	171,102	
Provision for Incurred But Not Reported ("IBNR")	116,749	(32,569)	84,180	117,657	(29,951)	87,706	
Provision of Risk Margin for Adverse Deviation ("PRAD")	33,070	(12,355)	20,715	31,552	(10,989)	20,563	
Claims Liabilities	<u>436,755</u>	<u>(158,731)</u>	<u>278,024</u>	<u>420,757</u>	<u>(141,386)</u>	<u>279,371</u>	
Premium Liabilities	<u>115,860</u>	<u>(46,269)</u>	<u>69,591</u>	<u>103,579</u>	<u>(31,254)</u>	<u>72,325</u>	
	<u>552,615</u>	<u>(205,000)</u>	<u>347,615</u>	<u>524,336</u>	<u>(172,640)</u>	<u>351,696</u>	

10. INSURANCE CONTRACT LIABILITIES (CONT'D.)

10.1 Claims Liabilities

Note	←----- 31 March 2021 ----->			←----- 30 September 2020 ----->			
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	
At 1 October 2020/2019	420,757	(141,386)	279,371	395,464	(130,564)	264,900	
Claims incurred in the current accident period/year (direct and facultative)	74,172	(24,026)	50,146	140,344	(36,026)	104,318	
Adjustment to claims incurred in prior accident years (direct and facultative)	(3,582)	(7,719)	(11,301)	7,060	(9,769)	(2,709)	
Claims incurred during the period/year (treaty inwards claims)	(98)	-	(98)	418	-	418	
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidence level	1,518	(1,365)	153	2,204	(794)	1,410	
Movement in claims handling expenses	289	-	289	764	-	764	
Claims paid during the period/year	16	(56,301)	15,765	(40,536)	(125,497)	35,767	(89,730)
At 31 March 2021/30 September 2020	<u>436,755</u>	<u>(158,731)</u>	<u>278,024</u>	<u>420,757</u>	<u>(141,386)</u>	<u>279,371</u>	

10. INSURANCE CONTRACT LIABILITIES (CONT'D.)

10.2 Premium Liabilities

Note	←----- 31 March 2021 ----->			←----- 30 September 2020 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2020/2019	103,579	(31,254)	72,325	119,596	(31,377)	88,219
Premiums written during the period	138,118	(69,564)	68,554	255,918	(99,510)	156,408
Premiums earned during the period	13 (125,837)	54,549	(71,288)	(271,935)	99,633	(172,302)
At 31 March 2021/30 September 2020	<u>115,860</u>	<u>(46,269)</u>	<u>69,591</u>	<u>103,579</u>	<u>(31,254)</u>	<u>72,325</u>

11. BORROWINGS

	Effective interest rate per annum	Maturity	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
<u>Unsecured</u> Subordinated Notes	8.04%	2022	<u>69,654</u>	<u>69,524</u>
Amount due within 1 to 2 years			<u>69,654</u>	<u>69,524</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.

12. INSURANCE PAYABLES

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
Due to reinsurers and ceding companies	26,765	9,501
Due to agents, brokers, co-insurers and insureds	2,883	2,409
	<u>29,648</u>	<u>11,910</u>

13. NET EARNED PREMIUMS

		6 months ended 31 March <u>2021</u>	6 months ended 31 March <u>2020</u>
	Note	RM'000	RM'000
(a) Gross premiums	10.2	138,118	159,947
Change in premium liabilities		<u>(12,281)</u>	<u>(15,964)</u>
Gross earned premiums		<u>125,837</u>	<u>143,983</u>
(b) Gross premiums ceded to reinsurers	10.2	(69,564)	(70,920)
Change in premium liabilities		<u>15,015</u>	<u>17,271</u>
Premiums ceded to reinsurers		<u>(54,549)</u>	<u>(53,649)</u>
Net earned premiums		<u>71,288</u>	<u>90,334</u>

14. INVESTMENT INCOME

	6 months ended 31 March <u>2021</u>	6 months ended 31 March <u>2020</u>
	RM'000	RM'000
Dividend income:		
- shares quoted in Malaysia	795	668
- unit trust	3,682	3,105
Interest income:		
- deposits and placements with financial institutions	2,740	5,821
Income from Islamic fixed deposits	227	2,012
Amortisation of premiums, net of accretion of discounts		
Rental of properties:		
- third parties	4	13
- fellow subsidiary company	14	15
- holding company	122	131
Investment income from:		
- Malaysian Motor Insurance Pool ("MMIP")	945	769
- Malaysian Reinsurance Berhad ("MRB")	19	-
	<u>8,548</u>	<u>12,534</u>

15. FAIR VALUE GAINS/(LOSSES)

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Fair value gains/(losses):		
Gain/(loss) on fair value of investments held as fair value through profit or loss	<u>3,160</u>	<u>(6,489)</u>

16. NET CLAIMS INCURRED

		6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
	Note		
Gross claims paid	10.1	(56,301)	(74,794)
Claims ceded to reinsurers	10.1	15,765	20,981
Gross increase in insurance contract liabilities		(15,997)	(11,185)
Change in insurance contract liabilities ceded to reinsurers		<u>17,344</u>	<u>6,219</u>
		<u>(39,189)</u>	<u>(58,779)</u>

17. MANAGEMENT EXPENSES

	Note	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Chief executive officer's remuneration	18	431	431
Staff salaries and bonus		9,103	10,018
Allowance for unutilised leave		(76)	(177)
Pension costs - defined contribution plan		1,096	1,219
Other staff benefits		1,096	1,048
Depreciation of property, plant and equipment		630	622
Depreciation of right-of-use assets		1,736	3,135
Amortisation:			
- prepaid land lease payments		-	2
- intangible assets		235	208
Auditors' remuneration			
- statutory audit		124	110
- other regulatory related services		17	21
Executive Director's remuneration	18	25	25
Non-Executive Directors' remuneration	18	180	156
Allowance for impairment of insurance receivables		(402)	125
Management fees to holding company		718	616
Call centre service charges to:			
- third parties		28	26
- fellow subsidiary company		300	269
Rental of equipment:			
- third parties		11	19
- fellow subsidiary company		1,005	146
Printing and information system expenses		8,155	7,405
Business development		4,198	6,093
Levy		28	346
Credit card charges		697	1,114
Office administration and utilities		829	867
MMIP expenses		223	572
Professional fees		1,689	925
Motor vehicle expenses		234	292
Travelling and transport expenses		52	68
Road Transport Department access fees		102	150
Motor Assist & Towing Services		357	410
Other expenses		385	416
		<u>33,206</u>	<u>36,677</u>

18. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

		6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
<u>Chief Executive Officer:</u>			
- Salary		330	330
- Bonus		55	55
- Pension costs - defined contribution plan		46	46
- Benefits-in-kind		31	30
		<u>462</u>	<u>461</u>
Total Chief Executive Officer's remuneration excluding benefits-in-kind	17	<u>431</u>	<u>431</u>
<u>Executive Director:</u>			
- Fees	17	<u>25</u>	<u>25</u>
<u>Non-Executive Directors:</u>			
- Fees	17	180	156
- Benefits-in-kind		18	9
		<u>198</u>	<u>165</u>
Total Executive and Non-Executive Directors' remuneration		<u>223</u>	<u>190</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>2021</u>	6 months ended 31 March <u>2020</u>
<u>Chief 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.)

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
<u>Non-Executive Directors:</u>		
Below RM20,000	-	1
RM20,001 - RM25,000	-	-
RM25,001 - RM30,000	-	-
RM30,001 - RM35,000	4	3
RM35,001 - RM40,000	1	1
	<u>1</u>	<u>1</u>

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

	<u>Fees</u> RM'000	<u>Benefits-in- Kind</u> RM'000	<u>Total</u> RM'000
<u>As at 31 March 2021</u>			
Pn. Norazian binti Ahmad Tajuddin	40	-	40
Mr. Chan Thye Seng	25	-	25
Dato' Dr. Zaha Rina binti Zahari	35	2	37
Mr. Prasheem Seebran	35	6	41
Dr. Loh Leong Hua	35	2	37
Mr. Lim Tian Huat	35	8	43
	<u>205</u>	<u>18</u>	<u>223</u>

As at 31 March 2020

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	35	3	38
(Appointed on 1 July 2019)			
Mr. Lim Tian Huat	11	-	11
(Appointed on 31 January 2020)			
	<u>181</u>	<u>9</u>	<u>190</u>

19. REALISED (LOSSES)/GAINS

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Realised (losses)/gains:		
- FVTPL:		
Quoted in Malaysia	(550)	816
- Foreign exchange	<u>1</u>	<u>-</u>
	<u>(549)</u>	<u>816</u>

20. OTHER OPERATING REVENUE/(EXPENSES)

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Other operating revenue:		
Sundry income	<u>203</u>	<u>28</u>
	<u>203</u>	<u>28</u>
Other operating expenses:		
Assets written off	-	3
Loss on disposal of property, plant & equipment	2	-
Other expenses	<u>537</u>	<u>483</u>
	<u>539</u>	<u>486</u>
Total other operating expenses, net	<u>(336)</u>	<u>(458)</u>

21. FINANCE COSTS

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
Hire-purchase interest	-	9
Interest expense on borrowings	2,783	2,759
Interest on lease liabilities	217	478
Others	<u>1</u>	<u>2</u>
	<u>3,001</u>	<u>3,248</u>

22. REGULATORY CAPITAL REQUIREMENTS

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

	31 March <u>2021</u> RM'000	30 September <u>2020</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	<u>86,100</u>	<u>91,173</u>
	<u>186,100</u>	<u>191,173</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	17,414	24,333
Revaluation reserve	13,763	13,763
FVOCI reserve	<u>12,082</u>	<u>6,301</u>
	<u>43,259</u>	<u>44,397</u>
Amounts deducted from Capital	<u>(1,285)</u>	<u>(1,305)</u>
Total Capital Available	<u><u>228,074</u></u>	<u><u>234,265</u></u>

23. COMMITMENTS AND CONTINGENCIES

On-going Litigation

On 10 August 2016, the Malaysia Competition Commission (“MyCC”) through its powers granted under the Competition Act 2010 [Act 712] (“Competition Act”) commenced investigations into an alleged infringement by the Persatuan Insurans Am Malaysia (“PIAM”) and its 22 members including the Company under Section 4 of the Competition Act.

The alleged infringement was 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 of PIAM. The proposed financial penalty on the Company was RM2,108,452. The Proposed Decision was subject to both written and oral representations from various parties including PIAM and the respective insurers.

23. COMMITMENTS AND CONTINGENCIES (CONT'D.)

On-going Litigation (Cont'd.)

The Company's legal counsel had submitted its written representation on 25 April 2017, and delivered several oral representations to MyCC between 2017 and 2019. BNM and FAWOAM were invited at a hearing of the oral representations in 2019. The oral representations from all relevant insurers, as represented by legal counsels, was concluded on 18 June 2019.

On 14 September 2020, MyCC had issued its final decision against PIAM and its 22 members for violating Section 4 of the Competition Act, in relation to the above infringement. As a result, MyCC had imposed financial penalties of RM173,655,300 on all 22 insurance companies, and granted a 25% reduction on the final penalties after taking into consideration the economic impact arising from the Covid-19 pandemic.

MyCC had also served an official notice, dated 25 September 2020, to the Company, informing of its findings on the infringement of the Competition Act and the financial penalty imposed on the Company was RM1,581,339, net of the 25% discount granted arising from the Covid-19 pandemic.

On 30 September 2020, BNM had released a press statement, which said it regrets the MyCC's decision on the matter, as the arrangement was put in place through the facilitation and direction of BNM with the general insurers to address disputes between workshops and general insurance companies that had adversely impacted consumers in terms of delayed claims settlements.

PIAM, in a statement on 30 September 2020, had also expressed its disappointment with the MyCC's decision on the infringement, as PIAM and its members have always placed the motoring public and policyholders at the forefront.

PIAM has appealed against MyCC's decision that it infringed the Competition Act in connection with motor vehicle repairs. The Company has also, through its legal counsel, submitted an appeal against the MyCC's decision.

The Company submitted its notice of appeal with the Competition Appeal Tribunal ("CAT") on 13 October 2020 and a stay application (pending the disposal of the appeal) on 16 March 2021. On 23 March 2021, the CAT granted a stay for all members including the Company in respect of both the cease and desist order and the financial penalty with no order as to costs. The appeal hearing is set to be heard by the CAT in June 2021.

As at the date of the financial period, the Company has not made any provision, and has continued to disclose the matter as an on-going litigation until further development. The Company's legal counsel is of the view that the Company has a good case to argue the decision of the MyCC.

24. 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.

25. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

26. 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 2021.

27. 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 2021.

28. 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 2021.

29. DIVIDENDS PAID

	6 months ended 31 March <u>2021</u> RM'000	6 months ended 31 March <u>2020</u> RM'000
<u>In respect of the financial year ended 30 September 2020:</u>		
Final single tier dividend of 7.50 sen per share, declared on 24 February 2021 and paid on 4 March 2021	7,500	-
<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>7,500</u>	<u>25,000</u>

30. 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.

31. 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 2021.