

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 2022

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 2022

	Note	As at 31 March 2022 RM'000	As at 30 September 2021 RM'000
ASSETS			
Property, plant and equipment	3	18,307	18,980
Investment properties	4	650	650
Intangible assets		909	1,129
Right-of-use assets		3,922	4,875
Investments	5	595,916	576,297
Reinsurance assets	6	216,297	193,946
Insurance receivables	7	9,798	23,453
Other receivables	8	49,113	50,251
Cash and cash equivalents	9	40,527	21,265
TOTAL ASSETS		935,439	890,846
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		13,972	13,972
Share options reserve		896	867
Fair value through other comprehensive income ("FVOCI") reserve		6,347	21,148
Retained profits		112,169	93,714
TOTAL EQUITY		233,384	229,701
Insurance contract liabilities	10	577,847	543,686
Deferred tax liabilities		5,610	9,488
Lease liabilities		3,395	4,386
Borrowings	11	69,934	69,790
Insurance payables	12	34,644	23,788
Tax payables		3,697	224
Other payables		6,928	9,783
TOTAL LIABILITIES		702,055	661,145
TOTAL EQUITY AND LIABILITIES		935,439	890,846

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 2021 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 24 May 2022.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2022

	←----- 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 2021	100,000	13,972	867	21,148	93,714	229,701
Net profit for the period	-	-	-	-	1,227	1,227
Other comprehensive income for the period	-	-	-	4,427	-	4,427
Total comprehensive income for the period	-	-	-	4,427	1,227	5,654
Transfer of FVOCI reserve to retained profits upon disposal of financial assets at FVOCI	-	-	-	(19,228)	19,228	-
Dividend (Note 29)	-	-	-	-	(2,000)	(2,000)
Share options vested under Employee Share Option Scheme ("ESOS")	-	-	29	-	-	29
At 31 March 2022	100,000	13,972	896	6,347	112,169	233,384

CONDENSED STATEMENT OF CHANGES IN EQUITY (CONT'D.)
FOR THE SIX MONTHS ENDED 31 MARCH 2021

	←----- 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 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
Dividend (Note 29)	-	-	-	-	(7,500)	(7,500)
Share options vested under ESOS	-	-	63	-	-	63
At 31 March 2021	100,000	13,763	834	12,082	86,100	212,779

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

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2022

		6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Operating revenue		<u>152,110</u>	<u>134,385</u>
Gross earned premiums		140,501	125,837
Premiums ceded to reinsurers		<u>(63,243)</u>	<u>(54,549)</u>
Net earned premiums	13	<u>77,258</u>	<u>71,288</u>
Investment income	14	11,609	8,548
Realised gains/(losses), net	15	198	(551)
Other operating income/(expenses), net	16	172	(334)
Commission income		<u>14,462</u>	<u>13,550</u>
Other revenue		<u>26,441</u>	<u>21,213</u>
Gross claims paid		(59,338)	(56,301)
Claims ceded to reinsurers		19,393	15,765
Gross change in insurance contract liabilities		(2,665)	(15,997)
Change in insurance contract liabilities ceded to reinsurers		<u>1,883</u>	<u>17,344</u>
Net claims incurred	17	<u>(40,727)</u>	<u>(39,189)</u>
Commission expenses		(18,644)	(17,760)
Fair value (losses)/gains	18	(12)	3,160
Management expenses	19	(39,056)	(33,206)
Finance costs	21	(2,913)	(3,001)
Other expenses		<u>(60,625)</u>	<u>(50,807)</u>
Profit before taxation		2,347	2,505
Taxation		<u>(1,120)</u>	<u>(78)</u>
Net profit for the period		<u>1,227</u>	<u>2,427</u>
Basic earnings per share (sen)		<u>1.23</u>	<u>2.43</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 2021 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 COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2022

	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Net profit for the period	<u>1,227</u>	<u>2,427</u>
Other comprehensive income:		
<u>Items that may be reclassified to income statement</u> <u>in subsequent periods:</u>		
Fair value changes in investments through other comprehensive income ("FVOCI")		
- Gross loss on fair value changes: Corporate debt securities	(247) (247)	(1,432) (1,432)
<u>Items that will not be reclassified to income statement</u> <u>in subsequent periods:</u>		
Fair value changes in investments through other comprehensive income ("FVOCI")		
- Gross gain on fair value changes: Quoted securities	4,758 4,758	9,039 9,039
Other comprehensive income for the year	4,511	7,607
Deferred tax impacts	(84)	(1,826)
Other comprehensive income for the period, net of tax	4,427	5,781
Total comprehensive income for the period	5,654	8,208

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

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Note	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations		20,906	24,533
Net tax paid		(1,608)	(1,555)
Dividends received		2,679	4,413
Interest received		3,390	3,897
Profit received from Islamic fixed deposits		177	229
Interest paid		(2,653)	(2,658)
Net cash generated from operating activities		<u>22,891</u>	<u>28,859</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds on disposal of property, plant and equipment		22	1
Purchase of property, plant and equipment		(8)	(21)
Purchase of intangible assets		(2)	(215)
Net cash generated from/(used in) investing activities		<u>12</u>	<u>(235)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	29	(2,000)	(7,500)
Repayment of lease liabilities		(1,641)	(1,887)
Net cash used in financing activities		<u>(3,641)</u>	<u>(9,387)</u>
Net increase in cash and cash equivalents		19,262	19,237
Cash and cash equivalents at beginning of period		<u>21,265</u>	<u>21,737</u>
Cash and cash equivalents at end of period	9	<u><u>40,527</u></u>	<u><u>40,974</u></u>

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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 2022

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 2022 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 (“IAS 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 2021.

2. BASIS OF PREPARATION (CONT'D.)

(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 2021 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 2021 and 1 April 2021.

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

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

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)
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 16	Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use

2. BASIS OF PREPARATION (CONT'D.)

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

(b) MFRSs and Amendments to MFRSs 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
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Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018-2020)
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Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
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Amendments to MFRS 17	Insurance Contracts
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Amendments to MFRS 17	Insurance Contracts - Initial Application of MFRS 17 and MFRS 19 - Comparative Information
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Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
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Amendments to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
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Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
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Amendments to MFRS 112	Income Taxes - Deferred related to Assets and Liabilities arising from a Single Transaction
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2. BASIS OF PREPARATION (CONT'D.)

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

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

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 is not expected to result in significant financial impact to the Company, except as disclosed below:

- MFRS 17: Insurance Contracts and Amendments to MFRS 17

MASB has issued MFRS 17 Insurance Contracts (“MFRS 17”), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which will replace MFRS 4 Insurance Contracts (“MFRS 4”) upon adoption. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A simplified approach (the premium allocation approach) mainly for short-duration contracts
- A specific adaptation for contracts with direct participation features (the variable fee approach)

MFRS 17 and Amendments to MFRS 17 are 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 intends to adopt MFRS 17 on the required effective date. The Company has completed the documentation of business and technical requirements in technical papers, and is currently in the progress of designing and implementing system solutions and processes.

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
2022								
<u>Valuation/Cost:</u>								
At 1 October 2021	2,670	851	14,730	5,788	1,106	1,673	3,785	30,603
Additions	-	-	-	-	-	6	1	7
Disposals	-	-	-	-	(200)	-	-	(200)
Write-offs	-	-	-	(1)	-	(1)	-	(2)
At 31 March 2022	2,670	851	14,730	5,787	906	1,678	3,786	30,408
<u>Accumulated depreciation:</u>								
At 1 October 2021	-	-	-	5,735	776	1,558	3,554	11,623
Charge for the period	-	17	535	4	23	15	37	631
Disposals	-	-	-	-	(151)	-	-	(151)
Write-offs	-	-	-	(1)	-	(1)	-	(2)
At 31 March 2022	-	17	535	5,738	648	1,572	3,591	12,101
<u>Net carrying value:</u>								
At 31 March 2022	2,670	834	14,195	49	258	106	195	18,307

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

	←----- Valuation -----→			←----- Cost -----→				<u>Total</u> RM'000
	<u>Freehold land</u> RM'000	<u>Buildings</u> <u>Freehold</u> RM'000	<u>Leasehold</u> RM'000	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Furniture, fixtures and fittings</u> RM'000	
<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	-	21	4	30
Disposals	-	-	-	-	(89)	(4)	-	(93)
Write-offs	-	-	-	-	-	(1)	(8)	(9)
Revaluation surplus	130	18	127	-	-	-	-	275
Elimination of accumulated depreciation on revaluation	-	(33)	(1,057)	-	-	-	-	(1,090)
At 30 September 2021	<u>2,670</u>	<u>851</u>	<u>14,730</u>	<u>5,788</u>	<u>1,106</u>	<u>1,673</u>	<u>3,785</u>	<u>30,603</u>
<u>Accumulated depreciation:</u>								
At 1 October 2020	-	-	-	5,726	779	1,531	3,487	11,523
Charge for the year	-	33	1,057	9	58	29	75	1,261
Disposals	-	-	-	-	(61)	(1)	-	(62)
Write-offs	-	-	-	-	-	(1)	(8)	(9)
Elimination of accumulated depreciation on revaluation	-	(33)	(1,057)	-	-	-	-	(1,090)
At 30 September 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,735</u>	<u>776</u>	<u>1,558</u>	<u>3,554</u>	<u>11,623</u>
<u>Net carrying value:</u>								
At 30 September 2021	<u>2,670</u>	<u>851</u>	<u>14,730</u>	<u>53</u>	<u>330</u>	<u>115</u>	<u>231</u>	<u>18,980</u>

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

- (a) Freehold land and buildings and leasehold buildings were revalued as at 30 September 2021 based on valuation carried out by an independent professional valuer, Messrs. Rahim & Co. on an open market value basis using the comparison method.

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 2022 are as follows:

	←-----Net Carrying Value-----→			
	31 March 2022		30 September 2021	
	Under Revaluation Model RM'000	Under Cost Model RM'000	Under Revaluation Model RM'000	Under Cost Model RM'000
Freehold land	2,670	380	2,670	380
Freehold buildings	834	191	851	195
Leasehold buildings	14,195	4,150	14,730	4,280
	<u>17,699</u>	<u>4,721</u>	<u>18,251</u>	<u>4,855</u>

4. INVESTMENT PROPERTIES

	31 March <u>2022</u> RM'000	30 September <u>2021</u> RM'000
<u>At fair value</u>		
At 1 October	650	655
Revaluation deficit	-	(5)
At 31 March 2022/30 September 2021	<u>650</u>	<u>650</u>

Analysed as:

Freehold buildings	<u>650</u>	<u>650</u>
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Investment properties were revalued as at 30 September 2021 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

The Company has assessed that the existing use of its investment properties is 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>2022</u> RM'000	30 September <u>2021</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	16,217	21,069
Unit trusts	257,727	345,230
Warrants	7,141	3,967
	<u>281,085</u>	<u>370,266</u>

5. INVESTMENTS (CONT'D.)

	31 March	30 September
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
(b) Financial assets at fair value through other comprehensive income (“FVOCI”):		
<u>At fair value:</u>		
Designated upon initial recognition:		
Quoted shares in Malaysia *	13,467	34,110
Mandatorily measured:		
Corporate debt securities	61,724	61,971
	<u>75,191</u>	<u>96,081</u>
<p>* 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.</p>		
(c) Financial assets at amortised cost:		
Deposits and placements with licensed financial institutions: ^		
Commercial banks	126,897	87,945
Investment banks	112,743	22,005
	<u>239,640</u>	<u>109,950</u>
Total investments	<u>595,916</u>	<u>576,297</u>

Included in deposits and placements of the Company is an amount of RM111,452 (2021: RM110,442) 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>2022</u>	<u>2021</u>
	Note	RM'000	RM'000
Reinsurance of insurance contracts:			
Claims liabilities	10.1	160,561	158,677
Premium liabilities	10.2	55,736	35,269
		<u>216,297</u>	<u>193,946</u>

7. INSURANCE RECEIVABLES

	31 March <u>2022</u> RM'000	30 September <u>2021</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance	4,163	6,671
Due from reinsurers and ceding companies	7,839	17,617
	<u>12,002</u>	<u>24,288</u>
Allowance for impairment	(2,204)	(835)
	<u>9,798</u>	<u>23,453</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>2022</u> RM'000	30 September <u>2021</u> RM'000
<u>At amortised cost:</u>		
Due from fellow subsidiary company	414	271
Accrued income	1,888	1,713
Share of net assets held under the Malaysian Motor Insurance Pool ("MMIP")	44,795	45,941
Deposits and prepayments	1,351	1,456
Others	665	870
	<u>49,113</u>	<u>50,251</u>

9. CASH AND CASH EQUIVALENTS

	31 March <u>2022</u> RM'000	30 September <u>2021</u> RM'000
Deposits and placements with licensed commercial bank (with original maturity period of less than three months)	35,409	16,197
Cash and bank balances	5,118	5,068
	<u>40,527</u>	<u>21,265</u>

10. INSURANCE CONTRACT LIABILITIES

	←----- 31 March 2022 -----→			←----- 30 September 2021 -----→		
	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>577,847</u>	<u>(216,297)</u>	<u>361,550</u>	<u>543,686</u>	<u>(193,946)</u>	<u>349,740</u>

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

		←----- 31 March 2022 -----→			←----- 30 September 2021 -----→		
Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	
Provisions for claims reported	290,017	(113,222)	176,795	290,241	(116,321)	173,920	
Provision for Incurred But Not Reported (“IBNR”)	109,100	(34,095)	75,005	106,402	(27,713)	78,689	
Provision of Risk Margin for Adverse Deviation (“PRAD”)	35,730	(13,244)	22,486	35,539	(14,643)	20,896	
Claims Liabilities	<u>434,847</u>	<u>(160,561)</u>	<u>274,286</u>	<u>432,182</u>	<u>(158,677)</u>	<u>273,505</u>	
Premium Liabilities	<u>143,000</u>	<u>(55,736)</u>	<u>87,264</u>	<u>111,504</u>	<u>(35,269)</u>	<u>76,235</u>	
	<u>577,847</u>	<u>(216,297)</u>	<u>361,550</u>	<u>543,686</u>	<u>(193,946)</u>	<u>349,740</u>	

10. INSURANCE CONTRACT LIABILITIES (CONT'D.)

10.1 Claims Liabilities

Note	←----- 31 March 2022 ----->			←----- 30 September 2021 ----->			
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	
At 1 October 2021/2020	432,182	(158,677)	273,505	420,757	(141,386)	279,371	
Claims incurred in the current accident period/year (direct and facultative)	84,530	(29,490)	55,040	121,306	(38,365)	82,941	
Adjustment to claims incurred in prior accident years (direct and facultative)	(22,370)	8,436	(13,934)	(7,093)	(8,492)	(15,585)	
Claims incurred during the period/year (treaty inwards claims)	(484)	-	(484)	393	-	393	
Movement in Provision of Risk Margin for Adverse Deviation (“PRAD”) claims liabilities at 75% confidence level	191	(223)	(32)	3,987	(3,653)	334	
Movement in claims handling expenses	136	-	136	543	-	543	
Claims paid during the period/year	17	(59,338)	19,393	(39,945)	(107,711)	33,219	(74,492)
At 31 March 2022/30 September 2021	<u>434,847</u>	<u>(160,561)</u>	<u>274,286</u>	<u>432,182</u>	<u>(158,677)</u>	<u>273,505</u>	

10. INSURANCE CONTRACT LIABILITIES (CONT'D.)

10.2 Premium Liabilities

		←----- 31 March 2022 ----->			←----- 30 September 2021 ----->		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2021/2020		111,504	(35,269)	76,235	103,579	(31,254)	72,325
Premiums written during the period/year	13	171,997	(83,710)	88,287	250,658	(111,188)	139,470
Premiums earned during the period/year	13	(140,501)	63,243	(77,258)	(242,733)	107,173	(135,560)
At 31 March 2022/30 September 2021		<u>143,000</u>	<u>(55,736)</u>	<u>87,264</u>	<u>111,504</u>	<u>(35,269)</u>	<u>76,235</u>

11. BORROWINGS

	Effective interest rate per annum	Maturity	31 March <u>2022</u> RM'000	30 September <u>2021</u> RM'000
<u>Unsecured</u>				
Subordinated Notes	8.01%	2022	<u>69,934</u>	<u>69,790</u>
Amount due within 1 year			<u>69,934</u>	<u>69,790</u>

During the financial year ended 30 September 2012, the Company 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 fixed coupon rate of 7.60% per annum. The Company is capable of repaying the Sub Notes upon its maturity in June 2022.

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the holding company whilst the remaining RM35,000,000 were subscribed by a third party.

12. INSURANCE PAYABLES

	31 March <u>2022</u> RM'000	30 September <u>2021</u> RM'000
Due to reinsurers and ceding companies	31,786	21,216
Due to agents, brokers, co-insurers and insureds	<u>2,858</u>	<u>2,572</u>
	<u>34,644</u>	<u>23,788</u>

13. NET EARNED PREMIUMS

		6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
	Note		
(a) Gross premiums	10.2	171,997	138,118
Change in premium liabilities		<u>(31,496)</u>	<u>(12,281)</u>
Gross earned premiums		<u>140,501</u>	<u>125,837</u>
(b) Gross premiums ceded to reinsurers	10.2	(83,710)	(69,564)
Change in premium liabilities		<u>20,467</u>	<u>15,015</u>
Premiums ceded to reinsurers		<u>(63,243)</u>	<u>(54,549)</u>
Net earned premiums		<u>77,258</u>	<u>71,288</u>

14. INVESTMENT INCOME

	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Dividend income:		
- shares quoted in Malaysia	490	795
- unit trust	2,172	3,682
Interest income:		
- deposits and placements with financial institutions	3,583	2,740
Distribution income	4,711	-
Income from Islamic fixed deposits	176	227
Rental of properties:		
- third parties	-	4
- fellow subsidiary company	14	14
- holding company	121	122
Investment income from:		
- Malaysian Motor Insurance Pool ("MMIP")	342	945
- Malaysian Reinsurance Berhad ("MRB")	-	19
	<u>11,609</u>	<u>8,548</u>

15. REALISED GAINS/(LOSSES)

	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Realised (losses)/gains:		
- Property, plant and equipment	(27)	(2)
- FVTPL:		
Shares quoted in Malaysia	229	(550)
- Foreign exchange	(4)	1
	<u>198</u>	<u>(551)</u>

16. OTHER OPERATING INCOME/(EXPENSES), NET

	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Other operating income/(expenses):		
Sundry income	664	203
Other expenses	(492)	(537)
	<u>172</u>	<u>(334)</u>

17. NET CLAIMS INCURRED

		6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
	Note		
Gross claims paid	10.1	(59,338)	(56,301)
Claims ceded to reinsurers	10.1	19,393	15,765
Gross increase in insurance contract liabilities		(2,665)	(15,997)
Change in insurance contract liabilities ceded to reinsurers		<u>1,883</u>	<u>17,344</u>
		<u>(40,727)</u>	<u>(39,189)</u>

18. FAIR VALUE (LOSSES)/GAINS

		6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Fair value (losses)/gains:			
(Loss)/gain on fair value of investments held as fair value through profit or loss		<u>(12)</u>	<u>3,160</u>

19. MANAGEMENT EXPENSES

	Note	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Chief executive officer's remuneration	20	502	431
Staff salaries and bonus		9,299	9,103
Allowance for unutilised leave		(640)	(76)
Pension costs - defined contribution plan		1,119	1,096
Other staff benefits		1,152	1,096
Depreciation of property, plant and equipment		631	630
Depreciation of right-of-use assets		1,487	1,736
Amortisation:			
- intangible assets		222	235
Auditors' remuneration:			
- statutory audit		133	124
- other regulatory related services		22	17
- other services		86	-
Executive Director's remuneration	20	25	25
Non-Executive Directors' remuneration	20	210	180
Allowance for impairment of insurance receivables		1,369	(402)
Management fees:			
- holding company		745	718
- third parties		72	-
Call centre service charges to:			
- third parties		19	28
- fellow subsidiary company		330	300
Rental of equipment:			
- third parties		7	11
- fellow subsidiary company		867	1,005
Printing and information system expenses		11,901	8,155
Business development		3,563	4,198
Levy		308	28
Credit card charges		657	697
Office administration and utilities		1,378	829
MMIP expenses		119	223
Professional fees		2,077	1,689
Motor vehicle expenses		221	234
Travelling and transport expenses		53	52
Road Transport Department access fees		81	102
Motor Assist & Towing Services		708	357
Other expenses		333	385
		<u>39,056</u>	<u>33,206</u>

20. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

		6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
<u>Chief Executive Officer:</u>			
- Salary		338	330
- Bonus		110	55
- Pension costs - defined contribution plan		54	46
- Benefits-in-kind		24	31
		<u>526</u>	<u>462</u>
Total Chief Executive Officer's remuneration excluding benefits-in-kind	19	<u>502</u>	<u>431</u>
<u>Executive Director:</u>			
- Fees	19	<u>25</u>	<u>25</u>
		<u>25</u>	<u>25</u>
<u>Non-Executive Directors:</u>			
- Fees	19	210	180
- Benefits-in-kind		17	18
		<u>227</u>	<u>198</u>
Total Executive and Non-Executive Directors' remuneration		<u>252</u>	<u>223</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>2022</u>	6 months ended 31 March <u>2021</u>
<u>Chief Executive Officer:</u>			
RM400,001 - RM700,000		1	1
<u>Executive Director:</u>			
RM20,001 - RM25,000		1	1

20. 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>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
<u>Non-Executive Directors:</u>		
Below RM20,000	-	-
RM20,001 - RM25,000	-	-
RM25,001 - RM30,000	-	-
RM30,001 - RM35,000	-	4
RM35,001 - RM40,000	3	1
RM40,001 - RM45,000	2	-
	<u>2</u>	<u>-</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 2022</u>			
Pn. Norazian binti Ahmad Tajuddin	45	-	45
Mr. Chan Thye Seng	25	-	25
Dato' Dr. Zaha Rina binti Zahari	45	2	47
Mr. Prasheem Seebran	40	5	45
Dr. Loh Leong Hua	40	2	42
Mr. Lim Tian Huat	40	8	48
	<u>235</u>	<u>17</u>	<u>252</u>

As at 31 March 2021

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>

21. FINANCE COSTS

	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
Interest expense on borrowings	2,797	2,783
Interest on lease liabilities	115	217
Others	1	1
	<u>2,913</u>	<u>3,001</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>2022</u> RM'000	30 September <u>2021</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	112,169	93,714
	<u>212,169</u>	<u>193,714</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	3,497	10,468
Revaluation reserve	13,972	13,972
FVOCI reserve	6,347	21,148
	<u>23,816</u>	<u>45,588</u>
Amounts deducted from Capital	<u>(2,400)</u>	<u>(1,723)</u>
Total Capital Available	<u>233,585</u>	<u>237,579</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.

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.

23. COMMITMENTS AND CONTINGENCIES (CONT'D.)

On-going Litigation (Cont'd.)

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 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 CAT proceedings started in November 2021 with the Company's legal counsel, together with other legal counsels representing the insurers and PIAM making its submissions. On 21 April 2022, the CAT concluded the proceedings after hearing from all parties including MyCC. The Company's legal counsel has indicated that based on the information that they have received, the CAT likely to deliver its decision by June 2022.

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 2022.

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 2022.

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 2022.

29. DIVIDENDS PAID

	6 months ended 31 March <u>2022</u> RM'000	6 months ended 31 March <u>2021</u> RM'000
<u>In respect of the financial year ended 30 September 2021:</u>		
Final single tier dividend of 2.00 sen per share, declared on 23 February 2022 and paid on 3 March 2022	2,000	-
<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>2,000</u>	<u>7,500</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 2022.