

PACIFIC & ORIENT INSURANCE CO. BERHAD

Company No. 12557 W

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For The Six Months Ended 31 March 2017

Company No: 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 <u>2017</u> RM'000	As at 30 September <u>2016</u> RM'000
ASSETS			
Property, plant and equipment	2	18,147	18,824
Investment properties		1,260	1,030
Prepaid land lease payments		300	302
Intangible assets		933	987
Investments	3	674,432	694,998
Reinsurance assets	4	208,631	223,012
Insurance receivables	5	7,376	17,776
Other receivables		73,781	76,197
Cash and cash equivalents	6	6,649	11,274
TOTAL ASSETS		<u>991,509</u>	<u>1,044,400</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		8,976	8,914
Available-for-sale reserve		4,964	2,910
Retained profits		120,380	142,668
TOTAL EQUITY		<u>234,320</u>	<u>254,492</u>
Insurance contract liabilities	7	651,196	689,090
Insurance payables	8	23,975	17,055
Hire purchase creditors		787	930
Tax payables		2,135	5,597
Deferred tax liabilities		2,689	1,092
Borrowings	9	68,816	68,725
Other payables		7,591	7,419
TOTAL LIABILITIES		<u>757,189</u>	<u>789,908</u>
TOTAL EQUITY AND LIABILITIES		<u>991,509</u>	<u>1,044,400</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 2016 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed financial statements.

The financial statements were approved for issue by the Board of Directors on 18 May 2017.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2017

	<-----Non-Distributable----->			Distributable	<u>Total</u> RM'000
	<u>Share capital</u> RM'000	<u>Revaluation reserve</u> RM'000	<u>Available -for-sale reserve</u> RM'000	<u>Retained profits</u> RM'000	
At 1 October 2016	100,000	8,914	2,910	142,668	254,492
Net profit for the period	-	-	-	13,112	13,112
Other comprehensive income for the period	-	62	2,054	-	2,116
Total comprehensive income for the period	-	62	2,054	13,112	15,228
Dividends paid (Note 25)	-	-	-	(35,400)	(35,400)
At 31 March 2017	<u>100,000</u>	<u>8,976</u>	<u>4,964</u>	<u>120,380</u>	<u>234,320</u>
At 1 October 2015	100,000	8,914	2,126	117,293	228,333
Net profit for the period	-	-	-	28,166	28,166
Other comprehensive income for the period	-	-	1,424	-	1,424
Total comprehensive income for the period	-	-	1,424	28,166	29,590
Dividends paid (Note 25)	-	-	-	(10,000)	(10,000)
At 31 March 2016	<u>100,000</u>	<u>8,914</u>	<u>3,550</u>	<u>135,459</u>	<u>247,923</u>

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

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2017

		6 months ended 31 March 2017 RM'000	6 months ended 31 March 2016 RM'000
	<u>Note</u>		
Operating revenue		<u>109,438</u>	<u>192,634</u>
Gross earned premiums		149,500	173,248
Premiums ceded to reinsurers		<u>(54,173)</u>	<u>(54,413)</u>
Net earned premiums	10	<u>95,327</u>	<u>118,835</u>
Investment income	11	14,111	16,104
Realised gains	12	8	3
Commission income		9,393	8,892
Other operating revenue	13	<u>2,362</u>	<u>192</u>
Other revenue		<u>25,874</u>	<u>25,191</u>
Gross claims paid		(96,875)	(133,847)
Claims ceded to reinsurers		24,485	44,277
Gross decrease in insurance contract liabilities		38,589	49,114
Change in insurance contract liabilities ceded to reinsurers		<u>(19,754)</u>	<u>(11,646)</u>
Net claims incurred	14	<u>(53,555)</u>	<u>(52,102)</u>
Commission expense		(17,257)	(20,296)
Management expenses	15	(29,772)	(30,885)
Finance costs	17	(2,763)	(2,781)
Other operating expenses	13	<u>(148)</u>	<u>(218)</u>
Other expenses		<u>(49,940)</u>	<u>(54,180)</u>
Profit before taxation		17,706	37,744
Taxation		<u>(4,594)</u>	<u>(9,578)</u>
Net profit for the period		<u>13,112</u>	<u>28,166</u>
Basic earnings per share (sen)		<u>13.11</u>	<u>28.17</u>

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2017

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
Net profit for the period	13,112	28,166
Other comprehensive income:		
<u>Items that may not be reclassified to income statement in subsequent periods:</u>		
Surplus from revaluation of buildings	62	-
Net gain	62	-
<u>Items that may be reclassified to income statement in subsequent periods:</u>		
Fair value changes on available-for-sale ("AFS") financial assets	2,702	1,874
Deferred tax	(648)	(450)
Net gain	2,054	1,424
Other comprehensive income for the period, net of tax	2,116	1,424
Total comprehensive income for the period	15,228	29,590

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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 2017

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operations	25,867	(5,409)
Net tax paid	(7,106)	(3,479)
Dividends received	2,190	1,575
Interest received	7,258	14,458
Interest received from islamic fixed deposits	2,752	-
Interest paid	(18)	(20)
Net cash generated from operating activities	30,943	7,125
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	58
Purchase of property, plant and equipment	(22)	(194)
Purchase of intangible assets	(4)	(1,253)
Net cash used in investing activities	(25)	(1,389)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(35,400)	(10,000)
(Decrease)/increase in hire purchase creditors	(143)	3
Net cash used in financing activities	(35,543)	(9,997)
Net decrease in cash and cash equivalents	(4,625)	(4,261)
Cash and cash equivalents at beginning of period	11,274	25,011
Cash and cash equivalents at end of period	6,649	20,750
Cash and cash equivalents comprise the following:		
Cash and bank balances	6,649	20,750

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 2016 and the accompanying explanatory notes on pages 6 to 27 attached to the unaudited condensed financial statements.

The financial statements were approved for issue by the Board of Directors on 18 May 2017.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2017

1. 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 2016.

(ii) Significant Accounting Policies

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

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

1. BASIS OF PREPARATION (CONT'D.)

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

Amendments to MFRS 127 Equity Method in Separate Financial Statements

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

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

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

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

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

Effective for financial periods beginning on or after 1 January 2017

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

Amendments to MFRS 107 Disclosure Initiative

Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2012 - 2014 cycle)

Effective for financial periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (International Financial Reporting Standard (“IFRS”) 9 Financial Instruments issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

Clarifications to MFRS 15 Revenue from Contracts with Customer

Classifications and Measurement of Shared-based Payment Transactions (Amendments to MFRS 2)

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

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

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

IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
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Effective for financial periods beginning on or after 1 January 2019

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

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

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

- MFRS 9: Financial instruments

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

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

1. BASIS OF PREPARATION (CONT'D.)

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

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

- MFRS 15: Revenue from Contracts with Customers

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

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

- MFRS 16: Leases

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

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

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

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

2. PROPERTY, PLANT AND EQUIPMENT

	←----- Valuation -----→			←----- Cost -----→				
	Freehold <u>land</u>	Buildings <u>Freehold</u>	<u>Leasehold</u>	Computer <u>equipment</u>	Motor <u>vehicles</u>	Office <u>equipment</u>	Furniture, fixtures and <u>fittings</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
<u>Valuation/Cost:</u>								
At 1 October 2016	1,860	681	16,781	5,833	2,188	1,691	3,735	32,769
Transfer to investment properties	-	-	(205)	-	-	-	-	(205)
Additions	-	-	-	-	-	20	2	22
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs	-	-	-	-	-	(21)	-	(21)
At 31 March 2017	<u>1,860</u>	<u>681</u>	<u>16,576</u>	<u>5,833</u>	<u>2,188</u>	<u>1,688</u>	<u>3,737</u>	<u>32,563</u>
<u>Accumulated depreciation:</u>								
At 1 October 2016	-	80	2,852	5,796	570	1,455	3,192	13,945
Charge for the period	-	10	353	2	93	26	46	530
Elimination of accumulated depreciation on revaluation	-	-	(38)	-	-	-	-	(38)
Impairment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(1)	-	(1)
Write-offs	-	-	-	-	-	(20)	-	(20)
At 31 March 2017	<u>-</u>	<u>90</u>	<u>3,167</u>	<u>5,798</u>	<u>663</u>	<u>1,460</u>	<u>3,238</u>	<u>14,416</u>
<u>Net carrying value:</u>								
At 31 March 2017	<u>1,860</u>	<u>591</u>	<u>13,409</u>	<u>35</u>	<u>1,525</u>	<u>228</u>	<u>499</u>	<u>18,147</u>

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

	←-----Valuation-----→			←-----Cost-----→				
	Freehold <u>land</u>	Buildings <u>Freehold</u>	<u>Leasehold</u>	Computer <u>equipment</u>	Motor <u>vehicles</u>	Office <u>equipment</u>	Furniture, fixtures and <u>fittings</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
<u>Valuation/Cost:</u>								
At 1 October 2015	1,860	681	16,559	5,951	2,280	1,674	3,700	32,705
Additions	-	-	222	25	412	22	38	719
Disposals	-	-	-	-	(504)	-	-	(504)
Write-offs	-	-	-	(143)	-	(5)	(3)	(151)
At 30 September 2016	1,860	681	16,781	5,833	2,188	1,691	3,735	32,769
<u>Accumulated depreciation:</u>								
At 1 October 2015	-	60	2,139	5,931	641	1,410	3,101	13,282
Charge for the year	-	20	713	7	194	50	94	1,078
Disposals	-	-	-	-	(265)	-	-	(265)
Write-offs	-	-	-	(142)	-	(5)	(3)	(150)
At 30 September 2016	-	80	2,852	5,796	570	1,455	3,192	13,945
<u>Net carrying value:</u>								
At 30 September 2016	1,860	601	13,929	37	1,618	236	543	18,824

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 2012 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 2017 are as follows:

	<u>Net Carrying Value</u>		<u>Net Carrying Value</u>	
	<u>31 March 2017</u>		<u>30 September 2016</u>	
	Under	Under	Under	Under
	Revaluation	Cost	Revaluation	Cost
	Model	Model	Model	Model
	RM'000	RM'000	RM'000	RM'000
Freehold land	1,860	380	1,860	380
Freehold buildings	591	251	601	255
Leasehold buildings	13,409	6,468	13,929	6,627
	<u>15,860</u>	<u>7,099</u>	<u>16,390</u>	<u>7,262</u>

3. INVESTMENTS

	31 March <u>2017</u> RM'000	30 September <u>2016</u> RM'000	
(a) Available-for-sale ("AFS") financial assets:			
<u>At fair value:</u>			
Quoted shares	20,624	16,474	
Unit trusts	91,252	101,477	
Total available-for-sale financial assets	<u>111,876</u>	<u>117,951</u>	
(b) Loan and receivables ("L&R"):			
<u>At amortised cost:</u>			
Deposits and placements with licensed financial institutions:			
Commercial banks	438,168	411,369	
Investment banks	124,388	165,678	
	<u>562,556</u>	<u>577,047</u>	
Total investments	<u>674,432</u>	<u>694,998</u>	
(c) Carrying values of investments:			
	<u>AFS</u> RM'000	<u>L&R</u> RM'000	<u>Total</u> RM'000
At 1 October 2016	117,951	577,047	694,998
Additions	92,223	-	92,223
Placements	-	299,349	299,349
Disposals	(101,000)	-	(101,000)
Maturities	-	(313,840)	(313,840)
Fair value gains recorded in other comprehensive income	2,702	-	2,702
At 31 March 2017	<u>111,876</u>	<u>562,556</u>	<u>674,432</u>

3. INVESTMENTS (CONT'D.)

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

	<u>AFS</u> RM'000	<u>L&R</u> RM'000	<u>Total</u> RM'000
At 1 October 2015	86,120	637,749	723,869
Additions	186,857	-	186,857
Placements	-	565,814	565,814
Disposals	(156,000)	-	(156,000)
Maturities	-	(626,516)	(626,516)
Fair value gains recorded in other comprehensive income	1,032	-	1,032
Impairment loss of AFS financial assets	(58)	-	(58)
At 30 September 2016	<u>117,951</u>	<u>577,047</u>	<u>694,998</u>

Included in deposits and placements of the Company is an amount of RM97,029 (30 September 2016: RM95,492) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

4. REINSURANCE ASSETS

	Note	31 March <u>2017</u> RM'000	30 September <u>2016</u> RM'000
Reinsurance of insurance contracts:			
- Claims liabilities	7	164,499	184,253
- Premium liabilities	7	45,204	39,836
		<u>209,703</u>	<u>224,089</u>
Allowance for impairment		(1,072)	(1,077)
		<u>208,631</u>	<u>223,012</u>

5. INSURANCE RECEIVABLES

	31 March <u>2017</u> RM'000	30 September <u>2016</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance	4,450	4,656
Due from reinsurers and ceding companies	4,399	14,568
	<u>8,849</u>	<u>19,224</u>
Allowance for impairment	(1,473)	(1,448)
	<u><u>7,376</u></u>	<u><u>17,776</u></u>

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

	<u>Individually impaired</u> RM'000	<u>Collectively impaired</u> RM'000	<u>Total</u> RM'000
Movement in allowance accounts:			
<u>31 March 2017</u>			
At 1 October 2016	1,336	112	1,448
Allowance for impairment loss	25	6	31
Write back of impairment loss	(5)	(1)	(6)
At 31 March 2017	<u><u>1,356</u></u>	<u><u>117</u></u>	<u><u>1,473</u></u>
<u>30 September 2016</u>			
At 1 October 2015	1,396	361	1,757
Allowance for impairment loss	3	2	5
Write back of impairment loss	(63)	(251)	(314)
At 30 September 2016	<u><u>1,336</u></u>	<u><u>112</u></u>	<u><u>1,448</u></u>

6. CASH AND CASH EQUIVALENTS

	31 March <u>2017</u> RM'000	30 September <u>2016</u> RM'000
Deposits and placements with licensed commercial banks (with maturity of less than three months)	3,400	7,478
Cash and bank balances	3,249	3,796
	<u><u>6,649</u></u>	<u><u>11,274</u></u>

7. INSURANCE CONTRACT LIABILITIES

	<----- 31 March 2017 ----->			<----- 30 September 2016 ----->		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Note 4)			(Note 4)	
General insurance	<u>651,196</u>	<u>(209,703)</u>	<u>441,493</u>	<u>689,090</u>	<u>(224,089)</u>	<u>465,001</u>

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

		<----- 31 March 2017 ----->			<----- 30 September 2016 ----->		
Note		Gross	Reinsurance	Net	Gross	Reinsurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Provisions for claims reported by policyholders	350,255	(117,487)	232,768	356,225	(113,429)	242,796
	Provision for Incurred But Not Reported ("IBNR") claims	126,823	(31,107)	95,716	159,958	(56,162)	103,796
	Provision of Risk Margin for Adverse Deviation ("PRAD")	38,612	(15,905)	22,707	38,096	(14,662)	23,434
	Claims Liabilities	<u>515,690</u>	<u>(164,499)</u>	<u>351,191</u>	<u>554,279</u>	<u>(184,253)</u>	<u>370,026</u>
	Premium Liabilities	<u>135,506</u>	<u>(45,204)</u>	<u>90,302</u>	<u>134,811</u>	<u>(39,836)</u>	<u>94,975</u>
		<u>651,196</u>	<u>(209,703)</u>	<u>441,493</u>	<u>689,090</u>	<u>(224,089)</u>	<u>465,001</u>

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.1 Claims Liabilities

	Note	<----- 31 March 2017 ----->			<----- 30 September 2016 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2016/2015		554,279	(184,253)	370,026	615,597	(177,790)	437,807
Claims incurred in the current accident year (direct and facultative)		36,220	(9,377)	26,843	103,235	(29,458)	73,777
Adjustment to claims incurred in prior accident years (direct and facultative)		22,148	3,679	25,827	120,799	(35,833)	84,966
Claims incurred during the period/year (treaty inwards claims)		25	(14)	11	(39,744)	(20,962)	(60,706)
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidence level		(516)	1,243	727	(386)	5,310	4,924
Movement in claims handling expenses		409	(262)	147	(1,290)	1,607	317
Claims paid during the period/year	14	(96,875)	24,485	(72,390)	(243,932)	72,873	(171,059)
At 31 March 2017/30 September 2016		<u>515,690</u>	<u>(164,499)</u>	<u>351,191</u>	<u>554,279</u>	<u>(184,253)</u>	<u>370,026</u>

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.2 Premium Liabilities

	Note	<----- 31 March 2017 ----->			<----- 30 September 2016 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2016/2015		134,811	(39,836)	94,975	155,801	(38,963)	116,838
Premiums written during the period/year	10	150,195	(59,541)	90,654	303,357	(109,057)	194,300
Premiums earned during the period/year	10	(149,500)	54,173	(95,327)	(324,347)	108,184	(216,163)
At 31 March 2017/30 September 2016		<u>135,506</u>	<u>(45,204)</u>	<u>90,302</u>	<u>134,811</u>	<u>(39,836)</u>	<u>94,975</u>

8. INSURANCE PAYABLES

	31 March 2017 RM'000	30 September 2016 RM'000
Due to reinsurers and ceding companies	22,282	14,344
Due to agents, brokers, co-insurers and insureds	1,693	2,711
	<u>23,975</u>	<u>17,055</u>

9. BORROWINGS

	Effective Interest Rate per annum	Maturity	31 March 2017 RM'000	30 September 2016 RM'000
<u>Unsecured</u>				
Subordinated Notes	7.74%	2022	<u>68,816</u>	<u>68,725</u>
Amount due more than 5 years			<u>68,816</u>	<u>68,725</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.

10. NET EARNED PREMIUMS

	Note	6 months ended 31 March 2017 RM'000	6 months ended 31 March 2016 RM'000
(a) Gross premiums	7.2	150,195	166,867
Change in premium liabilities		(695)	6,381
Gross earned premiums		<u>149,500</u>	<u>173,248</u>
(b) Gross premiums ceded to reinsurers	7.2	(59,541)	(57,696)
Change in premium liabilities		5,368	3,283
Premiums ceded to reinsurers		<u>(54,173)</u>	<u>(54,413)</u>
Net earned premiums		<u>95,327</u>	<u>118,835</u>

11. INVESTMENT INCOME

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
Dividend income:		
- shares quoted in Malaysia	178	178
- unit trusts	2,013	1,492
Interest income:		
- deposits and placements with financial institutions	8,623	11,356
Income from islamic fixed deposits	2,752	1,424
Rental of properties:		
- third parties	10	8
- related company	14	14
- holding company	128	128
Investment income from:		
- Malaysian Motor Insurance Pool ("MMIP")	393	1,440
- Malaysian Reinsurance Berhad ("MRB")	-	64
	<u>14,111</u>	<u>16,104</u>

12. REALISED GAINS

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
Realised gains		
- Foreign exchange	8	3
	<u>8</u>	<u>3</u>

13. OTHER OPERATING REVENUE/(EXPENSES)

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
Other operating revenue:		
Sundry income	71	192
Recovery on investment	2,291	-
	<u>2,362</u>	<u>192</u>
Other operating expenses:		
Assets written off	1	-
Loss on disposal of property, plant & equipment	1	24
Impairment loss on AFS reserves	-	58
Other expenses	146	136
	<u>148</u>	<u>218</u>
	<u>2,214</u>	<u>(26)</u>

14. NET CLAIMS INCURRED

		6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
	Note		
Gross claims paid	7.1	(96,875)	(133,847)
Claims ceded to reinsurers	7.1	24,485	44,277
Gross decrease in insurance contract liabilities		38,589	49,114
Change in insurance contract liabilities ceded to reinsurers		<u>(19,754)</u>	<u>(11,646)</u>
		<u>(53,555)</u>	<u>(52,102)</u>

15. MANAGEMENT EXPENSES

		6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
	Note		
Chief executive officers' remuneration	16	612	412
Staff salaries and bonus		10,615	10,709
Allowance for unutilised leave		(183)	(186)
Pension costs - defined contribution plan		1,338	1,351
Other staff benefits		1,045	691
Depreciation of property, plant and equipment		529	535
Amortisation:			
- prepaid land lease payments		2	2
- intangible assets		58	207
Auditors' remuneration			
- Statutory audit		105	99
Non-Executive Directors' remuneration	16	205	195
Directors' training		-	50
Allowance for impairment of insurance receivables		31	232
Write back in allowance for impairment of :			
- insurance receivables		(6)	(11)
- reinsurance assets		-	(284)
Rental of properties:			
- third parties		290	284
- fellow subsidiary company		100	100
Management fees to holding company		535	535
Call centre service charges to:			
- fellow subsidiary company		268	268
Rental of equipment:			
- third party		28	29
- fellow subsidiary company		1,987	2,064
Printing and information system expenses		6,913	6,546
Business development		509	1,740
Bank charges		11	12
Credit card charges		1,404	1,646
Office administration and utilities		815	755
MMIP expenses		383	372

15. MANAGEMENT EXPENSES (CONT'D.)

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
Professional fees	715	722
Motor vehicle expenses	319	305
Travelling and transport expenses	94	109
Road Transport Department access fees	168	200
Good and services tax expenses	31	28
Other expenses	851	1,168
	<u>29,772</u>	<u>30,885</u>

16. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	Note	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
<u>Chief Executive Officer:</u>			
- Salary		355	215
- Bonus		173	157
- Pension costs - defined contribution plan		66	46
- Benefits-in-kind		18	11
- Allowance for unutilised leave		-	(18)
- Allowance		18	12
		<u>630</u>	<u>423</u>
<u>Non-Executive Directors:</u>			
- Fees	15	205	195
- Benefits-in-kind		2	3
Total Directors' remuneration		<u>207</u>	<u>198</u>
Total Directors' remuneration		<u>837</u>	<u>621</u>
Total Chief Executive Directors' remuneration excluding benefits-in-kind	15	<u>612</u>	<u>412</u>

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

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

	6 months ended 31 March <u>2017</u>	6 months ended 31 March <u>2016</u>
<u>Executive Officer:</u>		
RM400,001 - RM600,000	1	1
<u>Non-Executive Directors:</u>		
Below RM20,000	-	2
RM20,001 - RM25,000	1	-
RM25,001 - RM30,000	4	3
RM30,001 - RM35,000	<u>2</u>	<u>2</u>

The total remuneration received by the Individual, 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 2017</u>			
En. Mohammad Nizar bin Idris	35	-	35
Mr. Chan Thye Seng	20	-	20
Mr. Prasheem Seebran	30	-	30
Dato' Dr. Zaha Rina binti Zahari	30	2	32
Pn. Norazian binti Ahmad Tajuddin	30	-	30
Madam Sum Leng Kuang	30	-	30
Mr. Michael Yee Kim Shing	30	-	30
	<u>205</u>	<u>2</u>	<u>207</u>

As at 31 March 2016

En. Mohammad Nizar bin Idris	35	-	35
Mr. Chan Thye Seng	20	-	20
Mr. William Robertson Dommissie	30	-	30
Dato' Dr. Zaha Rina binti Zahari	30	3	33
Pn. Norazian binti Ahmad Tajuddin	30	-	30
Madam Sum Leng Kuang	20	-	20
Mr. Michael Yee Kim Shing	30	-	30
	<u>195</u>	<u>3</u>	<u>198</u>

17. FINANCE COSTS

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
Hire-purchase interest	18	20
Interest expense on borrowings	2,744	2,759
Others	1	2
	<u>2,763</u>	<u>2,781</u>

18. TOTAL CAPITAL AVAILABLE

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

	31 March <u>2017</u> RM'000	30 September <u>2016</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	120,380	142,668
	<u>220,380</u>	<u>242,668</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	68,816	68,725
Revaluation reserve	8,976	8,914
AFS reserve	4,964	2,910
	<u>82,756</u>	<u>80,549</u>
Amounts deducted from Capital	<u>(933)</u>	<u>(987)</u>
Total Capital Available	<u>302,203</u>	<u>322,230</u>

19. COMMITMENTS AND CONTINGENCIES

	31 March <u>2017</u> RM'000	30 September <u>2016</u> RM'000
<u>Non-cancellable operating lease commitments</u>		
Future minimum lease payments are as follows:		
Not later than 1 year	3,133	2,773
Later than 1 year and not later than 5 years	<u>2,908</u>	<u>3,118</u>
	<u><u>6,041</u></u>	<u><u>5,891</u></u>

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

20. AUDIT QUALIFICATION OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

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

21. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

22. 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 period ended 31 March 2017.

23. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior periods that have a material effect for the period ended 31 March 2017.

24. 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 period ended 31 March 2017.

25. DIVIDENDS PAID

	6 months ended 31 March <u>2017</u> RM'000	6 months ended 31 March <u>2016</u> RM'000
<u>In respect of the financial year ended 30 September 2016:</u>		
Final single tier dividend of 35.40 sen per share, declared on 16 February 2017 and paid on 20 February 2017	35,400	-
<u>In respect of the financial year ended 30 September 2015:</u>		
Final single tier dividend of 10.00 sen per share, declared on 18 February 2016 and paid on 22 February 2016	-	10,000
	<u>35,400</u>	<u>10,000</u>

26. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

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

27. EFFECT OF CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company for the period ended 31 March 2017.