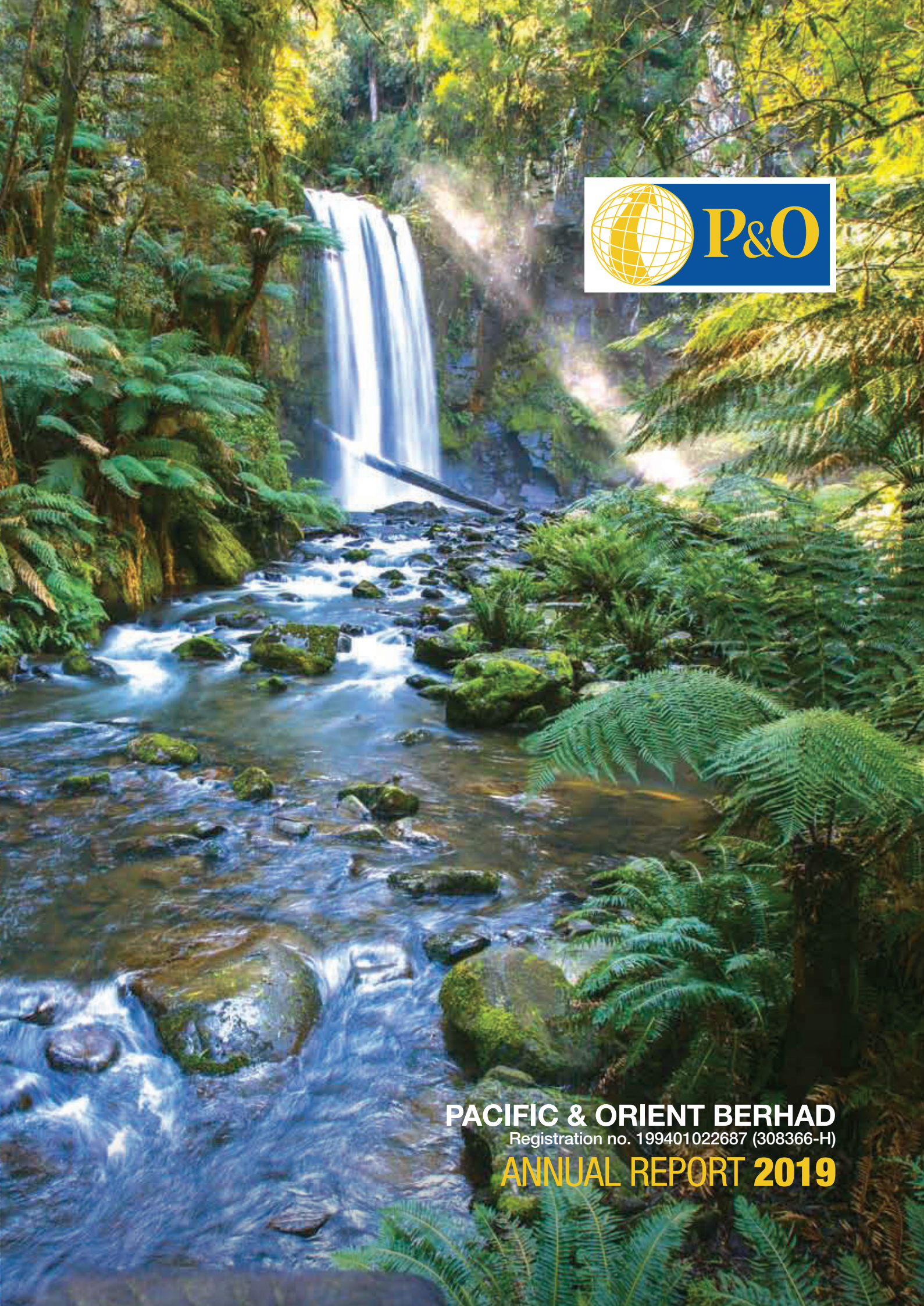

PACIFIC & ORIENT BERHAD

Registration no. 199401022687 (308366-H)

ANNUAL REPORT **2019**

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 26th Annual General Meeting of the Company will be held at Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 19 February 2020 at 10.30 a.m. for the following purposes:

AGENDA

A. Ordinary Business

1. To receive the Audited Financial Statements for the year ended 30 September 2019 and the Reports of the Directors and the Auditors thereon. — **Please refer to Note B**

2. To approve the Directors' fees payable to the Non-Executive Directors of the Company up to an amount of RM600,000 from the day after the 26th Annual General Meeting until the next Annual General Meeting of the Company. — **Ordinary Resolution 1**

3. To approve the Directors' benefits and meeting allowance payable to the Non-Executive Directors of the Company up to an amount of RM100,000 from the day after the 26th Annual General Meeting until the next Annual General Meeting of the Company. — **Ordinary Resolution 2**

4. To re-elect Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed who retires as a Director of the Company pursuant to Article 77 of the Constitution of the Company. — **Ordinary Resolution 3**

5. To re-elect Mr. Chan Thye Seng who retires as a Director of the Company pursuant to Article 77 of the Constitution of the Company. — **Ordinary Resolution 4**

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

B. Special Business

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

7. **Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016** — **Ordinary Resolution 6**

"**THAT** subject to Sections 75 and 76 of the Companies Act 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed 10% of the total number of issued shares of the Company for the time being.

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

Notice of Annual General Meeting
(Cont'd)

8. **Proposed renewal of authority for the purchase by the Company of its own shares** **Ordinary Resolution 7**

"**THAT** subject to the Companies Act 2016 ("the Act"), the Constitution of the Company, rules, regulations and orders made pursuant to the Act, and the requirements of Bursa Malaysia Securities Berhad ("BMSB") and any other relevant authorities, the Directors of the Company be and are hereby unconditionally and generally authorised to:

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

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

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

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

9. **Retention of Independent Director** **Ordinary Resolution 8**

"**THAT** Mr. Michael Yee Kim Shing, who has served for more than twelve years as Independent Director of the Company be and is hereby retained as Independent Director."

Notice of Annual General Meeting
(Cont'd)

10. **Retention of Independent Director** **Ordinary Resolution 9**

"**THAT** subject to the passing of Ordinary Resolution 3, Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed, who has served for more than twelve years as Independent Director of the Company be and is hereby retained as Independent Director."

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

By Order of the Board

YONG KIM FATT (MIA 27769)
Company Secretary

21 January 2020
Kuala Lumpur

NOTES:

A. Appointment of Proxy and Entitlement of Attendance

1. Depositors whose names appear in the Record of Depositors as at 13 February 2020 shall be regarded as members of the Company entitled to attend the Annual General Meeting or appoint proxies to attend on their behalf.

2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.

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

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

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

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

B. Audited Financial Statements

The Audited Financial Statements are laid in accordance with Section 340(1)(a) the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence, will not be put for voting.

Notice of Annual General Meeting
(Cont'd)

EXPLANATORY NOTES

1. Ordinary Resolutions 1 and 2 – Directors' fees, benefits and meeting allowance

Section 230(1) of the Companies Act 2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval shall be sought at the 26th Annual General Meeting on the Directors' fees, benefits and meeting allowance under Resolutions 1 and 2 respectively.

Proposed Ordinary Resolutions 1 and 2, if passed, will allow payment of Directors' fees, benefits and meeting allowance to Non-Executive Directors of the Company. The proposed Directors' benefits payable comprise of benefits such as Directors' and Officers' Liability insurance.

2. Ordinary Resolution 3 and 4 – Re-election of Directors

Article 77 of the Constitution of the Company states that at every Annual General Meeting, at least one-third of the Directors for the time being shall retire from office at each annual general meeting. A Director retiring at a meeting shall retain office until the conclusion of the meeting and all Directors shall retire from office at least once every three years. A retiring Director shall be eligible for re-election. Pursuant to Article 77, Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed and Mr. Chan Thye Seng, being eligible, have offered themselves for re-election at the 26th Annual General Meeting.

3. Ordinary Resolution 6 – Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

This resolution will allow the Company to procure the renewal of the general mandate which will give authority to the Directors of the Company, from the date of the 26th Annual General Meeting, to allot and issue shares in the Company up to and not exceeding in total 10% of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 25th Annual General Meeting held on 20 February 2019 and it will lapse at the conclusion of the 26th Annual General Meeting.

4. Ordinary Resolution 7 – Proposed renewal of authority for the purchase by the Company of its own shares

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

For further information, please refer to the Share Buy-Back Statement dated 21 January 2020 which is despatched together with the Company's Annual Report 2019.

Notice of Annual General Meeting
(Cont'd)

5. Ordinary Resolutions 8 and 9 – Retention of Independent Directors

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

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

Justifications

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

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

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

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

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

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

(g) They have never compromised on their independent judgement;

(h) They have provided objective views on the performance of the Executive Director and Management in meeting the agreed goals and objectives; and

(i) They have ensured that there were effective checks and balances in Board proceedings.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors who are standing for re-election at this Annual General Meeting can be found on pages 8 and 10 – Profile of the Board of Directors in the Company's Annual Report 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS	**Mr. Chan Hua Eng** *Chairman, Non-Independent Non-Executive Director* **Mr. Chan Thye Seng** *Managing Director and Chief Executive Officer* **Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed** *Independent Director* **Mr. Michael Yee Kim Shing** *Independent Director* **Dato' Dr. Zaha Rina binti Zahari** *Independent Director* **Mr. Ong Seng Pheow** *Independent Director*
SECRETARY	**Yong Kim Fatt** (MIA 27769)
SHARE REGISTRAR	Mega Corporate Services Sdn. Bhd. Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Malaysia Tel : +603 2692 4271 Fax : +603 2732 5388
AUDITORS	Messrs Ernst & Young Chartered Accountants Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Malaysia
PRINCIPAL BANKERS	Malayan Banking Berhad RHB Bank Berhad Hong Leong Bank Berhad
REGISTERED OFFICE	11th Floor, Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Malaysia Tel : +603 2698 5033 Fax : +603 2694 4209 Website : https://pacific-orient.com
STOCK EXCHANGE LISTING	Bursa Malaysia Securities Berhad Main Market

PROFILE OF THE BOARD OF DIRECTORS & KEY SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mr. Chan Hua Eng (91),
Male, Malaysian

- Chairman
- Non-Independent Non-Executive Director

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

Mr. Chan Thye Seng (63),
Male, Malaysian

- Managing Director and Chief Executive Officer

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

He is also a Non-Independent Non-Executive Director of Ancom Berhad and Executive Director of Pacific & Orient Insurance Co. Berhad.

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

Mr. Michael Yee Kim Shing (81),
Male, Malaysian

- Independent Director
- Chairman of the Audit Committee
- Member of the Risk Management Committee, Nominating Committee and Remuneration Committee

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

Mr. Yee was an Independent Director and Chairman of the Audit Committee of Dataprep Holdings Berhad. Currently, he sits on the Board and Audit Committee of Datasonic Group Berhad as an Independent Director and Chairman of the Audit Committee.

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

BOARD OF DIRECTORS (CON'D)

Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed (75),
Male, Malaysian

- Independent Director
- Chairman of the Nominating Committee and Remuneration Committee
- Member of the Audit Committee and Risk Management Committee

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

Dato' Dr. Zaha Rina binti Zahari (58),
Female, Malaysian

- Independent Director
- Chairman of Risk Management Committee
- Member of the Audit Committee, Nominating Committee and Remuneration Committee

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

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

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

She was a Director of Zurich Insurance Malaysia Berhad prior to being appointed Chairman of Manulife Holdings Berhad in December 2013. She was also a Director of Tanah Makmur Berhad. Currently, she also sits on the Board of Hong Leong Industries Berhad, Hibiscus Petroleum Berhad and IGB Berhad besides holding directorships in several private limited companies. She is also the Chairman of the Audit Committee and Risk Management Committee of Pacific & Orient Insurance Co. Berhad.

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

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

BOARD OF DIRECTORS (CON'D)

Mr. Ong Seng Pheow (71),
Male, Malaysian

- Independent Director
- Member of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee.

Mr. Ong was appointed to the Board of POB on 19 April 2018. He has more than 34 years of experience in public practice with an international firm of accountants and was its National Director of Assurance and Advisory Business Services from 1994 until he retired in December 2003. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

He is also an Independent Non-Executive Director of George Kent (Malaysia) Berhad and currently sits on the board of several public and private limited companies.

KEY SENIOR MANAGEMENT

Encik Noor Muzir bin Mohamed Kassim (51),
Male, Malaysian

- Chief Executive Officer of Pacific & Orient Insurance Co. Berhad

Encik Muzir is currently the Chief Executive Officer of Pacific & Orient Insurance Co. Berhad ("POI"), a subsidiary of the Company. He holds a Bachelor of Science degree in Economics & Accounting from The City University of London, United Kingdom. He is a Fellow of the Malaysian Institute of Insurance and a Chartered Banker with the Asian Institute of Chartered Bankers.

Encik Muzir has worked in banks for more than 25 years, in various senior roles. He has experience in Product Management, Strategic Planning, Distribution, Marketing, Consumer Risk Management, and Treasury. Prior to joining POI, he was employed at RHB Bank Berhad as the Head of Group Retail Assets & Liabilities Products division and the Head of Mass Affluent segment. His primary responsibility was to drive profitability for both the conventional and Islamic bank mortgage and deposit portfolios as well as refocusing the retail product offerings towards a more segment centric customer proposition.

Before RHB Bank Berhad, he was employed at OCBC Bank Berhad initially as Head of Cards & Unsecured Lending. In the 5 years with OCBC Bank Berhad, he was assigned additional responsibilities as Consumer Financial Services Head for OCBC Al-Amin, the Islamic banking subsidiary of OCBC Bank Berhad as well as Head of Marketing for the consumer business. Prior to OCBC Bank Berhad, he was with Citibank Malaysia for 7 years as Head of Cards Acquisition and Head of Unsecured Risk.

NOTES:

1. The interests of each Director in the shares of the Company are disclosed on page 211 (Shareholdings Statistics).
2. Except for Mr. Chan Hua Eng who is the father of Mr. Chan Thye Seng, there is no family relationship between the Directors/Key Senior Management with any director and/or major shareholder of the Company.
3. Other than traffic offences (if any), none of the Directors/Key Senior Management has been convicted of any offence within the past 5 years and there is no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.
4. None of the Directors/Key Senior Management has any conflict of interest with the Company

CORPORATE GOVERNANCE OVERVIEW STATEMENT

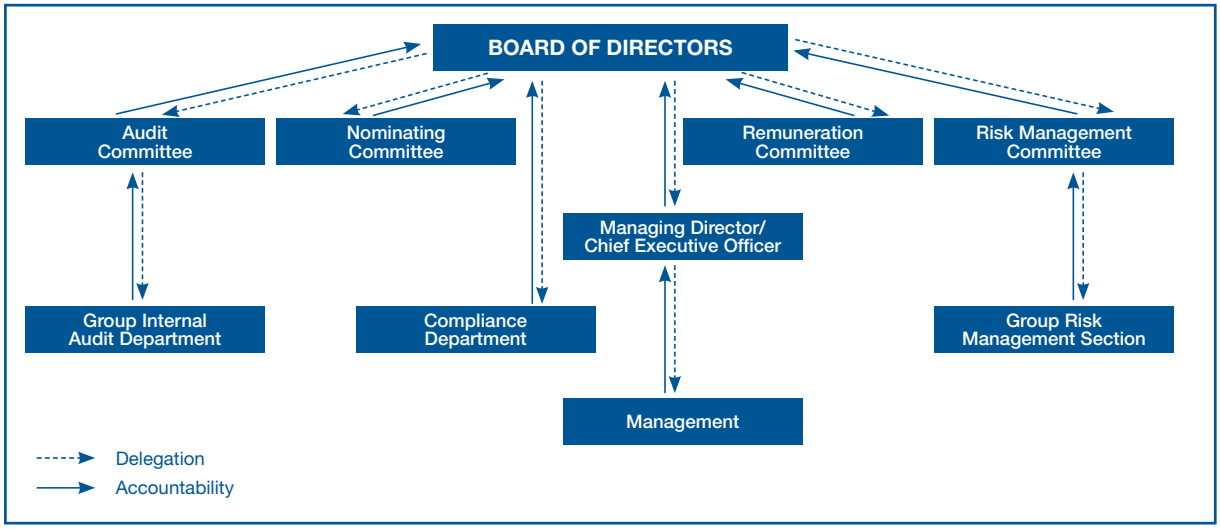
Pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a public listed company is required to provide an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance 2017, in its annual report.

The Board of Directors of Pacific & Orient Berhad acknowledges and takes cognisance of the Malaysian Code on Corporate Governance which outlines Practices that emphasise internalisation of corporate governance culture in companies. The Board is pleased to provide an overview of the Company's corporate governance practices during the financial year ended 30 September 2019 with reference to the 3 key Principles of good corporate governance, which are:

Principle A: Board Leadership and Effectiveness
Principle B: Effective Audit and Risk Management
Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This Corporate Governance Overview Statement should be read together with the Company's Corporate Governance Report for the financial year ended 30 September 2019, which is available on Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com and at the Company's website at https://pacific-orient.com. The Corporate Governance Report has disclosed to what extent the Company has applied the Practices set out in the Malaysian Code on Corporate Governance 2017.

The Group's governance structure is as follows:



PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

Board Roles and Responsibilities

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference, in the form of a Board Charter, to assist in the discharge of the Board's fiduciary and leadership responsibilities in the pursuit of the best interest of the Group. The Board's roles and responsibilities are elaborated on pages 2 and 3 of the Corporate Governance Report.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Board Roles and Responsibilities (Cont'd)

The Board Charter, which covers the following key areas, among others, roles of the Chairman and Managing Director/Chief Executive Officer; Board composition; Board appointment; size of Board; time period of office; Directors' remuneration; induction of new Director; Directors' training; Board roles/responsibilities; Board governance; Board Committees; Board meetings; dealings in securities of the Company; Board's relationship with stakeholders; Company Secretary; External Auditors; and schedule of matters specifically reserved for the Board's decision, may be viewed on the Company's website at https://pacific-orient.com.

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

The Chairman is primarily responsible for the orderly conduct and working of the Board. In this respect, the Chairman provides overall leadership in the process of reviewing and deciding upon strategic matters that influences the manner in which the Company's and the Group's businesses are conducted. The Managing Director/Chief Executive Officer is responsible for the day-to-day management of the Company, which includes running the Company in line with the Board's direction, overseeing the overall business performance and ensures that matters that have been delegated to Management are efficiently executed.

Company Secretary

In discharging its duties effectively, the Board is supported by a qualified, experienced and competent Company Secretary. The Company Secretary advises the Board and Board Committees on any updates relating to statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and corporate governance matters and liaises with external parties and regulatory bodies on compliance matters. Additionally, the Company Secretary organises and attends all Board and Board Committee meetings and ensures meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained at the registered office of the Company.

Board and Board Committee Meetings

The Board and its Committees met regularly to carry out their respective duties and responsibilities. The details of attendance by each of the Directors of the meetings held during the financial year are as follows:

Name of Director	Designation	Meeting Attendance				
		Board	NC	RC	AC	RMC
Mr. Chan Hua Eng	Chairman, Non-Independent Non-Executive Director	4/4	–	–	–	–
Mr. Chan Thye Seng	Managing Director/ Chief Executive Officer	4/4	–	–	–	–
Mr. Michael Yee Kim Shing	Independent Director/ Chairman of Audit Committee ("AC")	4/4	1/1	1/1	4/4	4/4

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Board and Board Committee Meetings (Cont'd)

Name of Director	Designation	Meeting Attendance				
		Board	NC	RC	AC	RMC
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	Independent Director/ Chairman of the Nominating Committee ("NC") and Remuneration Committee ("RC")	4/4	1/1	1/1	4/4	4/4
Dato' Dr. Zaha Rina binti Zahari	Independent Director/ Chairman of Risk Management Committee ("RMC")	4/4	1/1	1/1	4/4	4/4
Mr. Ong Seng Pheow	Independent Director	4/4	1/1	1/1	4/4	4/4

The Board and Board Committee members are provided with the relevant agenda and meeting papers containing management, financial and other relevant information in advance at least 5 business days prior to each Board and Board Committee meeting for their perusal and consideration and to enable them to obtain further clarification and information on the matters to be deliberated, in order to facilitate informed decision making.

Code of Ethics and Whistleblowing Policy

In fostering good business conduct and maintaining a healthy corporate culture, the Board has adopted a Code of Ethics for Directors which outlines the standards of ethical behaviour which the Directors should possess in discharging their duties and responsibilities. The Code was formulated based on 4 principles, i.e. transparency, integrity, accountability and corporate social responsibilities. In addition, the Board has adopted a Whistleblowing Policy, which is used to assist in ensuring that the Group's businesses and operations are conducted in an ethical, accountable and transparent manner. Details of the Code of Ethics and Whistleblowing Policy are elaborated on pages 9 to 12 of the Corporate Governance Report.

Board Committees

The Board has established four Board Committees, comprising exclusively Independent Directors, to assist the Board in performing its duties and discharging its responsibilities more efficiently and effectively. The Board Committees are the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee.

The Board Committees operate on formal Terms of Reference approved by the Board and have the authority to examine pertinent issues and report back to the Board with their recommendations. The Terms of Reference of the Board Committees may be viewed on the Company's website at https://pacific-orient.com. The ultimate responsibility for the final decision on all matters lies with the entire Board.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition

Board Composition and Diversity

Independent Directors form more than half of the Board to ensure that minority shareholders' interests are adequately represented.

The Company recognises the benefits of having a diverse Board, which will make good use of the differences in skills, industry experience, age, cultural background, gender and other distinctions among the Directors. The Board, when making appointments, will consider skills and experience needed as well as gender balance to expand the perspective and capability of the Board as a whole. Nevertheless, to avoid mismatch and ineffective appointment of female Directors, the Board does not set any specific target for female Directors on the Board but will actively work towards having more female Directors on the Board, all things being equal. That said, even without a formal gender diversity policy, the percentage of women on the Company's Board is 17% while the percentage of women on the board of the principal insurance subsidiary is 40%.

The Board is of the view that it has the right mix of individual qualities to fulfil its role. Taken as a whole, the Board represents many years' experience in financial, business management, legal, insurance and corporate affairs and is therefore suited to the oversight of the Company.

Director's Independence and Tenure

Independent Directors are subject to an independent assessment by the Nominating Committee and the Board during assessment for appointment and on an annual basis. At the date of this Statement, 2 out of the 4 Independent Directors of the Company have served a tenure of 12 years and above. Both of the Independent Directors have provided annual declaration of their independence to the Board. The Nominating Committee and the Board have assessed and concluded that both the Independent Directors of the Company had continued to remain independent based on the justifications as set out in the explanatory notes of the notice of Annual General Meeting as shareholders' approval is required to be obtained through a two-tier voting process.

Nominating Committee

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

The Nominating Committee has carried out the following activities during the financial year:

(i) Assessed the effectiveness of the Board, the Board Committees and contribution of each individual Director, including the performance of the Managing Director/Chief Executive Officer;
(ii) Reviewed and recommended the re-election of Directors who were due for retirement by rotation;
(iii) Assessed the independence of the four Independent Directors, including the two Independent Directors whose tenure have exceeded a cumulative term of twelve years each;
(iv) Reviewed and assessed the mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies, time commitment, composition, size and experience of the Board, including the core competencies of the Directors;
(v) Assessed the training needs of Directors and reviewed the training programmes for Directors; and
(vi) Reviewed the revised Terms of Reference of the Nominating Committee prior to recommendation to the Board for approval.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Assessment of Nominees for Appointment to the Board, the Board as a Whole, Board Committees, Individual Directors and Managing Director/Chief Executive Officer

The Nominating Committee is responsible for identifying, assessing and recommending to the Board, suitable nominees for appointment to the Board and Board Committees. In selecting a suitable candidate, the Nominating Committee takes into consideration the candidate's character, experience, integrity, competence, expertise and time commitment, as well as the candidate's directorship in other companies, having regard to the size of the Board, with a view of determining the impact of the number upon its effectiveness, and the required mix of skill and diversity required for an effective Board. The final decision on the appointment of a candidate recommended by the Nominating Committee rests with the whole Board.

The Nominating Committee is also responsible for assessing the effectiveness of the Board as a whole, the Board Committees and each individual Director annually based on a set of established criteria. Based on the assessment performed for the financial year under review, the Board was satisfied with the performance and effectiveness of the Board as a whole, Board Committees and individual Directors. Improvement opportunities identified by the Board and suggestions by the individual Directors did not have a material impact on Board effectiveness and would be attended to by the Nominating Committee. Nevertheless, the Board has acknowledged the importance of putting in place succession plan for key management positions in order for the Company and the Group to continue operating effectively. The Board was also satisfied that the Managing Director/Chief Executive Officer had discharged his duties and responsibilities effectively and is suitably qualified to hold the position.

Directors' Training

The Company recognises the importance of continuous professional development and training for its Directors. During the financial year ended 30 September 2019, the Directors had attended training covering a broad range of areas such as statutory regulations, corporate governance, financial reporting standards, financial planning, legal, and information technology. The details of training attended by each individual Director are as follows:

Name of Director	Training Course
Mr. Chan Hua Eng	• Demystifying the Diversity Conundrum: The Road to Business Excellence
Mr. Chan Thye Seng	• MFRS 9 - Financial Instruments & MFRS 17 - Insurance Contracts
Mr. Michael Yee Kim Shing	• Corporate Liability Provision - Implications to the Organisation, its Directors and Management
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	• Corporate Governance Advocacy Programme - Cyber Security in the Boardroom Training
Dato' Dr. Zaha Rina binti Zahari	• MFRS 9 - Financial Instruments & MFRS 17 – Insurance Contracts • Fiscal Discipline in Driving Sustainable Growth – Budget 2019 • Prevention of Insider Trading • Digital Economy and Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (IOTs) • Financial Master Class – Current Issues and Trends that affect our Capital Market, Economic, Daily Financial Practice and Investment Decision • Invest Malaysia 2019: The Capital Market Forum • Tropical Basic Offshore Safety Induction and Emergency (BOSIET) • Basic Hydrogen Sulphide (H2S) Training • Anti-Bribery Management Systems ISO37001:2016
Mr. Ong Seng Pheow	• The Role of Audit Committees in Ensuring Organisational Integrity, Risk & Governance

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration

Remuneration Committee

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

The Remuneration Committee has carried out the following activities during the financial year:

(i) Reviewed and updated the Terms of Reference of the Remuneration Committee prior to recommendation to the Board for approval;
(ii) Reviewed the Remuneration Policy; and
(iii) Reviewed and recommended the remuneration package of the Managing Director/Chief Executive Officer.

Remuneration Policy

The remuneration policy of the Company is established to attract, motivate and retain Directors and calibre executives with the relevant experience, qualifications and expertise required to assist in managing the Company effectively. The reward levels commensurate with the competitive market and business environment in which the Company operates while being reflective of the person's experience, level of responsibilities and linked to the corporate performance, where applicable, and consistent with the Company's culture, objective and strategy, in particular. The overall remuneration policy encourages sound and effective risk management without inducing excessive risk-taking and consistent with the risk appetite and the long-term strategy of the Company.

The remuneration of the Executive Director is structured to link reward to corporate and individual performance to encourage high performance standards without creating incentives for irresponsible behaviour and insider excesses. The remuneration of the Non-Executive Directors shall be a fixed sum and reflects the level of responsibilities undertaken and contribution to the effective functioning of the Board and Board Committees. Finally, the remuneration payable to Senior Management is linked to the achievement of the individual's areas of responsibility, project success and performance targets while engendering responsible risk behaviours.

The aggregate remuneration of Directors of the Company (including the remuneration for the services rendered to the Company as a Group) for the financial year ended 30 September 2019 are disclosed in pages 26 and 27 of the Corporate Governance Report.

Other than the remuneration of the Chief Executive Officer of the principal insurance subsidiary, the Company has not disclosed on a named basis the top five senior management's remuneration component, including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 as the Board believes that such disclosure on a named basis may be detrimental to the Company's interests as this may cause unnecessary unease among senior management personnel when they compare their remuneration with others. Moreover, our calibre employees may be subject to poaching by rival companies.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

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

The Audit Committee comprises wholly Independent Directors and the Chairman of the Audit Committee is not the Chairman of the Board. The full details of the composition, terms of reference and summary of the activities of the Audit Committee during the financial year are set out in the Report of the Audit Committee on pages 32 to 40 of this Annual Report.

All members of the Audit Committee are financially literate and able to perform their duties and discharge their responsibilities, including the financial reporting process, as spelt out in the Audit Committee Charter which is available on the Company's website at https://pacific-orient.com.

The Audit Committee has adopted an External Auditors Assessment Policy which lays down the criteria to be considered in the selection and appointment of the External Auditors, the need to obtain written assurance from the External Auditors confirming that they are, and have been, professionally independent throughout the conduct of the audit engagement in conformity with all regulatory requirements and practices, as well as ensuring that the audit fees payable to the External Auditors are fair and realistic in terms of complexity and the size of the audit.

Internal Audit Function

The Audit Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Group Internal Audit Department undertakes regular reviews of the adequacy and effectiveness of the Group's system of internal controls and risk management process, as well as appropriateness and effectiveness of the corporate governance practices based on Audit Planning Memorandums approved by the respective Audit Committees. An overview of the Group Internal Audit Department and the activities performed by the Department are set out in the Report of the Audit Committee on pages 32 to 40 of this Annual Report.

II. Risk Management and Internal Control Framework

Risk Management Committee

The Risk Management Committee is primarily responsible for overseeing the risk management activities of the Company and the Group. The Committee has a broad mandate to ensure effective implementation of the objectives outlined in the Risk Management Framework approved by the Company and compliance with them throughout the Group.

The Risk Management Committee has carried out the following activities during the financial year:

(i) Reviewed and recommended to the Board the approval of the Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 30 September 2018;
(ii) Reviewed and recommended the revised Risk Management Framework to the Board for approval prior to its adoption; and
(iii) Reviewed the risk review reports and risk dashboards prepared by the Risk Management Section.

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management and Internal Control Framework (Cont'd)

Risk Management Framework

The Company has established a formal Risk Management Framework to assist in the identification, evaluation and management of risks. The Risk Management Committee meets regularly to oversee the development of risk management policies and procedures, monitor and evaluate the numerous risks that may arise from the business activities. A Group Risk Management Section has been established to assist the Risk Management Committee to discharge its duties. The formulated Risk Management Framework, covers, among others, risk management principles and philosophy/policy; accountability, roles and responsibilities for risk management; risk management structure and cycle; and risk management process. The Statement on Risk Management and Internal Control, which provides an overview of the risk management and state of internal control within the Group, is set out on pages 20 to 30 of this Annual Report.

Internal Control System

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

Compliance

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

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Company communicates information to its stakeholders mainly through the Company's annual reports, quarterly financial reports, annual general meetings and extraordinary general meetings that may be convened, as well as by way of disclosures made to Bursa Malaysia Securities Berhad and other corporate publications on the Company's website.

The Board acknowledges the importance of effective, accurate, transparent, and timely communication between the Company and shareholders as well as stakeholders. As such, the Board has adopted a Shareholders Communication Policy and Corporate Disclosure Policy which may be viewed on the Company's website at https://pacific-orient.com.

II. Conduct of General Meetings

In line with Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the notice of the 25th Annual General Meeting was issued 29 days prior to the Annual General Meeting.

At the 25th Annual General Meeting of the Company held on 20 February 2019, all Directors had attended the Annual General Meeting to provide opportunity for shareholders to engage with each Director. Senior Management and External Auditors were also available to respond to any queries from shareholders at the Annual General Meeting. A summary of key matters discussed at the Annual General Meeting of the Company may be viewed on the Company's website at https://pacific-orient.com.

KEY CORPORATE GOVERNANCE FOCUS AREAS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

During the financial year under review, the Board had focused on the following corporate governance matters as part of its continuous efforts in enhancing governance:

(i) Adoption or revision and update of the following documents to be in line with the Companies Act 2016, which came into effect on 31 January 2017, the Malaysian Code on Corporate Governance 2017 and revisions to the Main Market Listing Requirements:

- New Constitution of the Company.
- Board Charter, including schedule of matters specifically reserved for the Board's decision.
- Audit Committee Charter.
- Terms of Reference of the Nominating Committee.
- Terms of Reference of the Remuneration Committee.
- Remuneration Policy.
- Whistleblowing Policy.

(ii) Revision of the Risk Management Framework.

(iii) Establishment of an Investment Policy and Standard of Procedure for Private Equity Companies of POB Group.

FUTURE PRIORITIES ON CORPORATE GOVERNANCE AREAS

With the amendment to the Malaysian Anti-Corruption Commission Act 2018, a corporate liability provision under Section 17A has been introduced, which criminalises a company based on illegal actions taken by its employee (without the presence of adequate procedures) for the benefit of the company. This new provision will come into force on 1 June 2020. A company, upon conviction, shall be liable to a fine of not less than 10 times the sum or value of the gratification, where such gratification is capable of being valued or is of pecuniary nature, or RM1,000,000, whichever is higher, or to imprisonment for a term not exceeding 20 years or to both. As a defence, a company must prove that it has in place adequate procedures to prevent persons associated with the commercial organisation from undertaking such conduct. The said procedures are contained in "Guidelines on Adequate Procedures" issued by the Prime Minister's Department.

As such, the Group's focus for the financial year 2019/2020 would be implementation of the procedures contained in the "Guidelines on Adequate Procedures", which include, among others:

(i) Performance of comprehensive corruption risk assessments once every 3 years, with intermittent assessments conducted when necessary.
(ii) Performance of due diligence on any relevant parties or personnel prior to entering into any formalised relationships.
(iii) Establishment of policies and procedures covering gifts, entertainment, hospitality and travel; donations and sponsorships; facilitation payments; anti-corruption monitoring framework, among others.
(iv) Training and communication of the Company's anti-corruption policy to all personnel and business associates.

In addition, in view that the Company's principal insurance subsidiary is a financial institution under the regulation of Bank Negara Malaysia, the Group would prioritise implementation of policy documents issued by the Central Bank that enhance corporate governance and strengthen resilience of the insurance industry.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

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

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

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

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

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

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

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

(i) Boards of Directors

The respective companies' Board of Directors is responsible for the risk management and internal control within each subsidiary, while the holding company's Board has responsibility for the Group's overall approach to risk management and internal control. Its responsibilities include ensuring the design and implementation of appropriate risk management and internal control framework; determining the Group's business strategies; approving the Group's overall risk strategy and risk philosophy/policy and concurring with the Group's risk appetite to ensure that they are consistent with the Group's strategic direction and business objectives; reviewing the Group's portfolio of risk and considering it against the Group's risk appetite; and being apprised of the principal risks and whether management is responding appropriately to reduce the likelihood of their incidence or their impact.

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

(ii) Risk Management Committee

A Risk Management Committee was established at the holding company level with its terms of reference to oversee the risk management activities of the Group and ensure effective implementation of the objectives and procedures outlined in the Risk Management Framework. Significant risks are brought to the attention of the Risk Management Committee/Board. The Committee also oversees the effective communication and implementation of the subsidiaries' risk appetite/tolerance and other related issues.

The principal insurance subsidiary too, has in place a Risk Management Committee, with the relevant terms of reference.

(iii) Audit Committee

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

(iv) Group Risk Management Section

A Group Risk Management Section was established at the holding company level to assist the Risk Management Committee in ensuring effective implementation and maintenance of the Risk Management Framework. The Group Risk Management Section also acts as the central contact and guide for enterprise risk management issues within the Group, and coordinates the routine risk management reporting among the various business units.

A dedicated Risk Management Department was also established to assist the Risk Management Committee in the principal insurance subsidiary.

(v) Management

Management is directly responsible for all activities of the Group, including risk management. This includes establishing clear guidance regarding the business and risk strategies, including risk limits, for individual business units; contributing towards promoting a sound risk culture through a clear focus on risk in the activities of the Group and timely and proportionate responses to inappropriate risk-taking behaviour; promoting a culture of risk awareness and risk management within the Group; establishing a management structure that promotes accountability and effective oversight of delegated authorities and responsibilities for risk-taking decisions; and implementing appropriate systems for managing financial and non-financial risks to which the Group is exposed.

(vi) Risk Owners

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

(vii) Staff

Staff are made aware to be cognisant of operational risks, undertaking tasks in a careful and conscientious manner that reflects – but not limited to – the Group's policies. They are to report any new or escalating risks identified to the Risk Owners.

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

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

(viii) Group Internal Audit Department

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

(ix) Compliance Department

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

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

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

(I) Control Environment

(a) Board Independence

The Board had met the majority of Independent Directors requirement. As at 30 September 2019, 4 out of the 6 Directors on the Board are Independent Directors. In addition, the Directors do not have material relationship with the Company and, except for Director fees and share ownership, do not financially benefit from his or her relationship with the Company. Absence of material relationship ensures that there is no interference with each Director's ability to exercise independent judgment or inhibit his or her ability to make difficult decisions about management and the business.

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

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

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

(I) Control Environment (Cont'd)

(c) Code of Ethics

The Board has adopted a Code of Ethics for Directors which outlines the standards of ethical behaviour which the Directors should possess in discharging their duties and responsibilities. The Code was formulated based on 4 principles, i.e. transparency, integrity, accountability and corporate social responsibilities.

The principal insurance subsidiary has also adopted a Guidelines on the Code of Conduct for the General Insurance Industry for guidance of its employees.

In addition, expectations of employee conduct to maintain high moral and ethical standards are included in the Group Employee Handbook and embedded in the policies, procedures, and practices of the Company.

(d) Managing Conflict of Interest Situations

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

(e) Whistleblowing Policy

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

(f) Regulatory Compliance Framework

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

(II) Risk Assessment

Operating management of each business unit bears responsibility for the identification and mitigation of major business risks and each maintains controls and procedures appropriate to its own business environment. These include, inter alia, establishment of a formal Risk Management Framework, which outlines the principles, philosophy/policy, roles and responsibilities, structure as well as the process for identifying, evaluating, reporting and managing risks. The Framework, which was prepared based on ISO 31000:2018 Risk Management – Guidelines, provides the Board and the management with a tool to anticipate and manage both existing and potential risks.

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

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

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

(II) Risk Assessment (Cont'd)

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

(a) Scope, Context and Criteria

Management has established the scope of the risk management activities, as well as defined the external and internal context, and the risk criteria. These involved, among others, consideration of the resources required, responsibilities to be assigned and the records to be maintained; understanding the interrelationship between the purpose and scope of risk management process with the objectives of the company as a whole; and setting the risk impact, management control ratings, residual risk ratings and risk priorities, against which risk is to be evaluated.

(b) Risk Identification

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

The company has an ongoing process for identifying, evaluating and managing significant risks. The Risk Management Framework requires the company and all its business units to perform risk review at least annually with a view towards identifying any new risks which may have an impact on the objectives of the company or its business units. In this respect, management has implemented a systematic process to identify risks, which considers both internal and external factors that have an impact on the achievement of objectives. The ten broad/main risk areas considered were external, regulatory, legal, corporate governance, financial, customer, product/service, human, operation and supply.

As and when necessary, the company also performs project risk assessments. Such risk assessments may be performed prior to launching of significant projects such as new insurance products, IT programs or services, outsourcing of services, or as and when required under any Acts, rules or regulations.

(c) Risk Analysis

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

(d) Risk Evaluation

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

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

(II) Risk Assessment (Cont'd)

(e) Risk Treatment

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

(f) Monitor and Review

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

(g) Communication and Consultation

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

(h) Recording and Reporting

The risk management activities and its results are documented in risk review reports, which are issued to the relevant Risk Management Committees for their review and subsequent reporting to the Board of the Company/principal insurance subsidiary. Such reports provide information to the Board of the Company/principal insurance subsidiary to facilitate decision-making.

(III) Control Activities

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

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

(b) Policies and Procedures

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

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

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

(IV) Information and Communication

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

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

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

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

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

(V) Monitoring Activities

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

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

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

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

REVIEW FOR THE FINANCIAL YEAR

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

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

REVIEW FOR THE FINANCIAL YEAR (CONT'D)

The Risk Management Section/Department had reviewed the risk registers submitted by the business units and challenged the business units at each point of the risk management process in a series of discussions to ensure its robustness. The discussions had also served as refresher courses for the risk owners to improve and update their knowledge of risk management.

Senior management of the principal insurance subsidiary too had performed a strategic risk review in conjunction with the establishment of the annual strategic plan of the subsidiary. A mid-year review of the strategic risks was also performed to update the strategic risk profile based on the extent of the company's achievement of the strategic plan.

All the risks identified were documented in risk review reports by the Risk Management Section/Department and presented for review by the relevant Risk Management Committees and the Board of the Company/principal insurance subsidiary. Altogether, 4 risk review reports were issued by the Risk Management Section of the Company while 8 risk review reports were issued by the Risk Management Department of the principal insurance subsidiary. 2 out of the 8 reports were in respect of strategic risks of the company, 4 reports were in respect of operational risks, while the remaining reports were in respect of project risk assessments pertaining to outsourcing and internet insurance. In addition, risk dashboards were also prepared quarterly to provide a high level overview of the quantitative and qualitative indicators of the risks already identified. The risk dashboards provide an early warning system to management, the Risk Management Committee and the Board of Directors of any risks that may be increasing in the horizon to allow management sufficient time to institute the necessary risk treatment plans to reduce the risk, where possible.

The management of some of the principal risks faced by the Group for the financial year ended 30 September 2019 are outlined below:

(i) Underwriting Risk

With the phased liberalisation of the motor and fire tariffs which came into effect on 1 July 2017, insurance companies are now able to charge premiums that commensurate to the risk behaviour of consumers based on their business risk models and strategies. This has affected the insurance landscape, particularly, increasing competition and requiring better product differentiation.

The risk mitigation that has been put in place to manage Underwriting Risk are outlined below:

- Gaining a deeper understanding of the Group's target customers and the prices to charge based on its internal pricing model.
- Enhancing after-sales services to insured.
- Establishing a Marketing and Advertising Strategy to create brand awareness, attract business and enhance direct/telemarketing channels.
- Enhancing the Group's mobile-friendly application, POI2u, to expose the general public to the Group's products and pricing (by way of online quotation) and at the same time allow insureds to manage their own policies by purchasing them online using the application (i.e. online policy purchase).
- Focusing on expanding the Group's portfolio of non-motor products.

(ii) Legal and Regulatory Risk

The financial services sector is a highly regulated industry. The management of Legal and Regulatory Risk aims to ensure that the Group's exposure to potential legal liabilities during the course of business such as rule implementation or product liability are well mitigated to avoid disruption to its business and operations. If not properly mitigated, legal liabilities can have a significant impact on the Group's reputation which in turn can affect investor confidence.

The Company Secretarial and Compliance Departments monitor the dynamic regulatory landscape which has been getting increasingly complex and costly to comply. There is an ever present risk that the Group may breach new regulations and face reprimands or hefty fines from regulators. As such, the Board is kept abreast of such new regulations and management's action taken to meet the regulatory requirements.

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

REVIEW FOR THE FINANCIAL YEAR (CONT'D)

(ii) Legal and Regulatory Risk (Cont'd)

Another key area that the Legal Department monitors is the exposure to legal liabilities in the terms and conditions contained in the insurance contracts. The Legal Department reviews contracts from time to time to ensure consistency of terms and conditions across contractual agreements and regulatory requirements.

(iii) Cybersecurity Risk

Being reliant on information technology and custodian of customer information, especially in the Group's insurance operation, cybersecurity is a continual threat to the Group. The cybersecurity threats may come in the form of ransomware, malware, social engineering and phishing, among others.

The Group has implemented various mitigation measures to manage Cybersecurity Risk. These included the following:

- Establishing a Cybersecurity Committee to look into cybersecurity issues, including assessing integrity of cybersecurity in the Group, raising awareness and promoting best practices across the Group and facilitating discussion on emerging issues related to cybersecurity.
- Implementing an intrusion prevention system to detect and prevent vulnerability exploits within the internal and external network.
- Protecting crucial servers in the internal network using firewall and router access controls.
- Using Secure Sockets Layer, a standard security technology, to establish encrypted link between the server and the client/public.

(iv) Business Continuity Risk

The Group is exposed to events that could disrupt its critical business functions. These may include disasters such as catastrophic damage to the building the Group occupies for business, pandemic, fire and flood, among others. The Group did not encounter any major business interruption in the financial year under review.

Nevertheless, the Group has implemented the following controls to manage Business Continuity Risk:

- Establishing a comprehensive Business Continuity Manual to provide guidance to management and employees in the event of a disaster.
- Relocating the offsite Disaster Recovery Centre to a larger premises with upgraded facilities and services. The new premises would be able to accommodate more personnel and houses sales and claims counters to enable live business operation to be conducted.
- Performing annual disaster recovery testing of the Disaster Recovery Centre and the secondary server to ensure functionality and continuity of technology operations.

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

- Management has reviewed the scope, context and criteria established in respect of strategic/external, organisational/internal and risk management contexts as well as confirmed their continued applicability.
- Management has implemented a systematic process of risk identification, which resulted in all known operational risks which have an impact on the company being identified by the risk owners. The risk identification process has considered both internal and external factors that have an impact on the achievement of objectives. The ten broad/main risk areas considered were external, regulatory, legal, corporate governance, financial, customer, product/service, human, operation and supply.
- Management has implemented a systematic process of risk analysis, which involved application of the Table of Consequence and Table of Likelihood when measuring the impact and likelihood of the residual risk occurring and utilisation of the Likelihood and Consequence Matrix to rate the risk.

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

REVIEW FOR THE FINANCIAL YEAR (CONT'D)

- Risks identified and assessed were properly evaluated based on established risk criteria/priorities adopted by the company. The priority types of risks that were dealt with quickly and efficiently were injury to fatality, reduction in service level, damage to image and credibility, damage to company's assets and failure to meet legal obligations and regulatory compliance.
- Risk treatment plans have been developed by management for risks assessed as high or significant. Appropriate actions have been taken which have included either ceasing the business activity altogether, implementing controls to reduce its impact and/or likelihood of occurrence, accepting the risk where it is beyond the control of the company or passing on the risk by reinsuring the risk with other insurance companies.
- Management has closely monitored and reviewed the operational risks, effectiveness of risk treatment plan to mitigate risks for those rated high and significant, as well as effectiveness of control measures, to ensure changing circumstances do not alter risk priorities.
- Adequate communication and consultation were held between management and the Risk Management Section/Department to ensure that all known risks have been identified, assessed and adequately mitigated, where necessary.

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

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

Such reporting from the Chief Executive Officer of the principal insurance subsidiary, together with review reports from the Group Internal Audit Department and Group Risk Management Section, provide the basis for the assurance provided by the Managing Director/Chief Executive Officer to the Company's Board, which was that the risk management and internal control system was adequate and effective.

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

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

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

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

CONCLUSION

Based on the risk management and internal control framework established and maintained by the Group, work performed by the Group Internal Audit Department and Group Risk Management Section, reviews performed by management and various Board Committees, periodic reports from the Chief Executive Officer on the scope and performance of the risk management and internal control system established in the principal insurance subsidiary, annual examination by Bank Negara Malaysia on the principal insurance subsidiary, as well as the External Auditors' consideration of the Group's internal control over financial reporting for the purpose of audit planning, the Board is of the view that the state of the Group's risk management and internal control framework is generally adequate and effective in mitigating risks to achieve its business objectives. Nonetheless, it should be noted that risk management and internal control framework can only manage rather than eliminate risk of failure to achieve business objectives. Therefore, the Group's risk management and internal control framework can only provide reasonable but not absolute assurance against material misstatements, frauds and losses. The Group will nevertheless continue to monitor all key risks affecting the Group and will take the necessary measures to mitigate them. Continuous review of the adequacy and effectiveness of risk management and internal control framework of the Group would also be carried out in line with the changes in the business and relevant laws and regulations to ensure its effectiveness in safeguarding shareholders' investment and the Group's assets.

The Board has also received assurance from the Managing Director/Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system established by the Group.

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

Review of the Statement by External Auditors

The External Auditors have reviewed the Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), issued by the Malaysian Institute of Accountants, for inclusion in the Annual Report of the Company for the financial year ended 30 September 2019 and have reported to the Board that nothing has come to their attention that causes them to believe, on the basis of the procedures performed and evidence obtained, that the Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the "Statement on Risk Management & Internal Control: Guidelines for Directors of Public Listed Issuers" to be set out, nor is factually inaccurate.

ADDITIONAL COMPLIANCE STATEMENT

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year ended 30 September 2019.

2. AUDIT AND NON-AUDIT SERVICES

The amount of audit and non-audit fees incurred for services rendered to the Company or its subsidiaries for the financial year ended 30 September 2019 by the external auditors or a firm or corporation affiliated to the auditors' firm were as follows :

	The Group RM'000	The Company RM'000
Audit Fees	649	130
Non-audit Fees	47	6
Total	**696**	**136**

3. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

(i) The ESOS of the Company was approved by the shareholders at the 25th Annual General Meeting held on 20 February 2019 and came into effect on 17 June 2019.

(ii) The total number of options granted, vested, exercised and outstanding vested under the ESOS as at 30 September 2019 were set out below :

Description	Number of Options as at 30 September 2019	
	Total Allocated to the Group	Executive Director of the Company
Granted	20,822,000	1,350,000
Vested	7,813,000	270,000
Forfeited	45,000	0
Exercised	11,000	0
Outstanding Vested	7,757,000	270,000

(iii) Percentage of options granted to the Executive Director and Senior Management of the Company under the ESOS were as follows :

Executive Director and Senior Management of Company	During the financial year (%)	Since commencement up to 30 September 2019 (%)
Aggregate maximum allocation	16.93	16.93
Actual Granted	16.93	16.93
Actual Vested	3.39	3.39

The Company did not grant any options to the Non-Executive Directors under the ESOS.

4. MATERIAL CONTRACTS INVOLVING THE INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 30 September 2019 or entered into since the end of the previous financial year.

REPORT OF THE AUDIT COMMITTEE

MEMBERS OF THE AUDIT COMMITTEE

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

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

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

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

4. Mr. Ong Seng Pheow
   (Independent Director)

AUDIT COMMITTEE CHARTER

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

The terms of office and performance of the Audit Committee as a whole and of individual Committee members were evaluated by the Board in the financial year under review. The Board was satisfied that the Audit Committee and its members were able to discharge their functions, duties and responsibilities in accordance with the Audit Committee Charter.

ATTENDANCE AT MEETINGS

A total of 4 Audit Committee meetings were held during the financial year ended 30 September 2019. The details of attendance of each of the members at the Committee meetings held during the financial year are as follows:

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

The Chief Audit Executive and Assistant Manager of the Group Internal Audit Department, and Company Secretary were in attendance at all the meetings. The Head of Finance Department was present by invitation at all the meetings while the Senior Accounts Manager was also present during deliberations which required his input and advice. Representatives of the External Auditors, Messrs Ernst & Young, were also present at 2 meetings of the Audit Committee, the first during presentation of their 2019 Audit Plan, and the second when the External Auditors presented their report on the Company's and the Group's financial statements for the financial year ended 30 September 2019 covering the financial performance and financial position as well as other information in the Company's annual report together with their Report to the Audit Committee.

In addition, the Audit Committee had met twice with the External Auditors without the presence of management, the first meeting to discuss any matters which the External Auditors noted in the course of preparation of their 2019 Audit Plan which they wish to discuss with the Audit Committee, and the second to discuss matters relating to their remit and any issues arising from their statutory audit.

ACTIVITIES OF THE COMMITTEE

The summary of activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 30 September 2019 included the following:

Financial Reporting

(a) Reviewed the unaudited quarterly financial reports for the first 3 quarters and the audited fourth quarter financial report (inclusive of cumulative year-to-date figures) for announcement to Bursa Malaysia Securities Berhad with management before recommendation to the Board of Directors for consideration and approval for their release to Bursa Malaysia Securities Berhad. When reviewing the report, the Audit Committee had obtained reasonable assurance that the condensed consolidated interim financial statements were prepared in accordance with Malaysian Financial Reporting Standard 134: Interim Financial Reporting, paragraph 9.22 of the Bursa Malaysia Listing Requirements, International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board and the requirements of the Companies Act 2016 in Malaysia.

(b) Reviewed the unaudited management report and accounts of the Company and of the Group with management before recommending to the Board of Directors for their consideration and approval. The Audit Committee's review of the management report and accounts had included a review of the Company's quarterly results against the preceding year's corresponding quarter, quarterly results against the immediate year's preceding quarter, as well as year-to-date results against the preceding year's year-to-date results. In reviewing the management report and accounts, the Audit Committee was guided by Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

(c) Reviewed the audited statutory accounts of the Company and of the Group, issues and reservations arising from the statutory audit with the External Auditors, prior to recommendation to the Board of Directors for their consideration and approval. The Audit Committee's review included a critical and intelligent scrutiny of the statutory accounts based on an analytical approach, while at the same time obtaining assurance from management and the External Auditors that the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Audit Committee's examination of the statutory accounts had also included a review of the key audit matters, their implications to the audit of the Group and the Company and how the matters were addressed in the audit; going concern considerations; and information other than the financial statements and the auditors' report that were included in the Company's annual report. The Audit Committee had also reviewed significant audit matters highlighted by the External Auditors in their Report to the Audit Committee which warranted the Audit Committee's attention. In addition, the Audit Committee had taken note of any corrected material misstatements related to the accounts and reviewed the summary of the unadjusted audit differences for the Group. The External Auditors report on the financial statements was not subject to any qualification.

(d) Reviewed the extent of the Group's compliance with the Principles and Practices set out under the Malaysian Code on Corporate Governance and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers for the purpose of preparing the corporate disclosure statements comprising the Corporate Governance Overview Statement, the Statement on Risk Management and Internal Control, and the Report of the Audit Committee pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for inclusion in the Company's Annual Report. Reference was also made to the Corporate Governance Monitor 2019 issued by Securities Commission Malaysia, the letter issued by Bursa Malaysia Securities Berhad to all boards of Main Market Issuers on Key Observations on CG Reports and CG Overview Statements of Listed Issuers, Analysis of Corporate Governance Disclosures in Annual Reports (for Annual Reports 2015 – 2016), the Company's Corporate Governance Disclosure scores and detailed report issued by Bursa Malaysia Securities Berhad to further enhance the disclosure statements. The Audit Committee approved the corporate disclosure statements for inclusion in the Company's Annual Report thereafter.

Report of the Audit Committee
(Cont'd)

ACTIVITIES OF THE COMMITTEE (CONT'D)

Financial Reporting (Cont'd)

(e) Reviewed other disclosures forming the contents of the Company's Annual Report spelt out in Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which included Corporate Information; Profile of the Board of Directors & Key Senior Management; Additional Compliance Statement disclosing the utilisation of proceeds raised from corporate proposals, the amount of audit and non-audit services, and material contracts involving the interests of the Directors and major shareholders; Management Discussion and Analysis of the Group's business, operations and performance (including financial performance) during the financial year; Sustainability Statement; Directors' Responsibility Statement in Respect of the Annual Audited Financial Statements; List of Group's Properties; and Shareholdings Statistics.

(f) Reviewed the Corporate Governance Report for announcement to Bursa Malaysia Securities Berhad with management before recommending to the Board of Directors for their consideration and approval for its release to Bursa Malaysia Securities Berhad. When reviewing the report, the Audit Committee had obtained reasonable assurance that the report was prepared in compliance with paragraph 15.25(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and that the report has provided specific disclosures of how the Company has applied the Practices set out in the Malaysian Code on Corporate Governance for the financial year ended 30 September 2019. Reference was also made to the Corporate Governance Monitor 2019 issued by Securities Commission Malaysia and the letter issued by Bursa Malaysia Securities Berhad to all boards of Main Market Issuers on Key Observations on CG Reports and CG Overview Statements of Listed Issuers to further enhance disclosures in the Corporate Governance Report.

External Audit

(a) Reviewed with the External Auditors their 2019 Audit Plan of the Company and of the Group (inclusive of audit approach and scope of work) prior to the commencement of the annual audit. The External Auditors had briefed the Audit Committee on their 2019 Audit Plan pertaining to the statutory audit of the Company and of the Group for the financial year ended 30 September 2019, highlighting the following:

- Areas of audit emphasis, comprising adoption of new accounting standards, i.e. Malaysian Financial Reporting Standards 9 and 15; investment in subsidiaries and associates; insurance contract liabilities and reinsurance assets; classification and impairment of financial instruments; insurance receivables and payables; premium, commissions, and changes in insurance contract liabilities; significant classes of transactions; financial statements close process; related party disclosures; accounting estimates and judgments; and follow up on prior year findings.
- Fraud considerations and the risk of management override.
- Internal control considerations.
- Risk Management in Information Technology.
- Financial reporting developments relevant to the Group, which included Issues Committee Interpretations, new and amended Malaysian Financial Reporting Standards, as well as revised Conceptual Framework for Financial Reporting.
- Involvement of internal audit, risk management, compliance, and management experts (i.e. appointed actuary and independent property valuers) as well as External Auditors' experts (i.e. technology risk professionals, actuarial, tax accounting and risk advisory services professionals, and transaction advisory services professionals).

The Audit Committee had performed a detailed review of the 2019 Audit Plan tabled and after due deliberation, the Audit Committee approved the 2019 Audit Plan.

(b) Reviewed the results of the annual audit, the External Auditors' Report to the Audit Committee and management letter together with management's corrective actions taken to address the findings of the External Auditors. Based on the Audit Committee's review, the Audit Committee was satisfied that the financial statements taken as a whole had provided a true and fair view of the Company's and the Group's financial position and performance.

ACTIVITIES OF THE COMMITTEE (CONT'D)

External Audit (Cont'd)

(c) Met with the External Auditors twice without the presence of management, the first meeting to discuss any matters which the External Auditors noted in the course of preparation of their 2019 Audit Plan which they wish to discuss with the Audit Committee, and the second to discuss matters relating to their remit and any issues arising from their statutory audit.

(d) Evaluated the suitability and independence of the External Auditors and made recommendations to the Board of Directors on their re-appointment and remuneration. In reviewing the suitability and independence of External Auditors, the Audit Committee had reviewed the curriculum vitae of the engagement partner and the concurring partner as well as completed its own assessment in the form of a checklist, which covered the following considerations – minimum qualifying criteria for External Auditors, the scope of audit and auditors' performance, their independence and objectivity, audit fees, the resources (manpower, tools and collective knowledge of professionals globally) of the External Auditors to carry out their audit during the financial year, their insurance audit experience, as well as the nature, scope and fee of non-audit services to the extent that the total fees for non-audit services are not excessive when compared against the total audit fees so as to preserve the External Auditors' independence. The Audit Committee had also received feedback from management on the professional working relationship with the External Auditors. Pertaining to independence, the Audit Committee had obtained written assurance from the External Auditors confirming that, in relation to their audit of the financial statements of the Group for the financial year, the External Auditors were not aware of any relationships or matters that may reasonably be brought to bear on their independence. The External Auditors' independence was further enhanced by the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants, and the Companies Act 2016 in Malaysia. Based on the written assurance from the External Auditors and the Audit Committee's own assessment performed, the Audit Committee was satisfied with the suitability and independence of the External Auditors. The Audit Committee's assessment was concurred by the Board of Directors and the re-appointment was subsequently approved by the shareholders at the annual general meeting.

(e) Reviewed the nature, scope and fees for non-audit services provided by the External Auditors and ensured that the services were justified and reasonable and in line with the laid down policy and procedures on non-audit services in order to safeguard the independence and objectivity of the External Auditors and reduce potential conflicts of interest. The non-audit services performed by the External Auditors included review of Statement on Risk Management and Internal Control, as well as reviews of the principal insurance subsidiary's annual returns and audit of Risk Based Capital Statements; classifications, measurements, impairments and disclosures in respect of new Malaysian Financial Reporting Standards implementation; and agreed upon procedures in relation to the independent validation of Differential Levy System Quantitative Information and Returns on Calculation of Levies. The Head of Finance, in consultation with the Managing Director/Chief Executive Officer, may proceed to engage the External Auditors to provide permitted non-audit services, provided that the fees are fair and realistic having regard to the nature, scope and complexity of the non-audit services undertaken so as to preserve the External Auditors' independence.

(f) Having heard from the Audit Committee, the Board concurred with the Audit Committee's assessment on the suitability and independence of the External Auditors and approved the re-appointment of the External Auditors.

Report of the Audit Committee
(Cont'd)

ACTIVITIES OF THE COMMITTEE (CONT'D)

Internal Audit

(a) Reviewed and approved the Audit Planning Memorandum developed by the Group Internal Audit Department, which was prepared using a risk-based approach. The Audit Planning Memorandum had laid down the auditable activities, nature of work, audit methodology, selection of auditable areas for audit based on a risk-based approach, the detailed audit plan, staff strength and competency, and cost and time budgets. Reviews of internal controls, risk management process and governance practices that were planned to be performed included the Group's information technology and property development operations, related party transactions, and the principal insurance subsidiary's underwriting and claims operations, compliance, business practices in the appointment of panel firms, product transparency and disclosure, independent validation of Differential Levy System Quantitative Information and Returns on Calculation of Levies, Nominating Committee of the Board, and post-implementation of internet insurance system, among others. The approved Audit Planning Memorandum was subject to ongoing review and revision, if deemed necessary, at each quarterly Audit Committee meeting. This had allowed the Audit Committee to determine how well the Group Internal Audit Department had performed against the plan, approve any departures, substituted or additional work that may be warranted as a result of changes in circumstances, regulations or the environment, and address any issues on adequacy or competency of audit resources to complete the audit assignments.

(b) The Group Internal Audit Department had assisted the Audit Committee in its oversight of the Group Internal Audit Department by issuing quarterly reports to the Audit Committee, highlighting the status of completion of the approved Audit Planning Memorandum, a summary of significant audit findings raised in the audit reports, status of follow-up on significant internal audit issues, the cooperation extended by management and staff, the Group Internal Audit Department's certification on the adequacy and effectiveness of the risk management process and internal controls based on the areas reviewed under the Audit Planning Memorandum, planned audit assignments for the following quarter, adequacy and competency of internal audit resources, professional independence of the Group Internal Audit Department, conduct of audits in accordance with the International Professional Practices Framework, staff training and development, and comparison of actual versus budgeted time and expenditure spent on assignments. Any clarifications sought by the Audit Committee was addressed by the Chief Audit Executive during Audit Committee meetings.

(c) The Chief Audit Executive had also met with the Audit Committee Chairman at least once every quarter to keep the Audit Committee Chairman updated on the Group's risk management, internal controls and governance matters as well as matters relating to the Group Internal Audit Department.

(d) Reviewed the audit activities (comprising internal controls, risk management process and governance practices) carried out by the Group Internal Audit Department and the audit reports to ensure corrective actions were taken by management in a timely manner to address the governance, risk and control issues reported. Risk-based reviews of internal controls, risk management process and governance practices performed included the Group's information technology, investment holding operations, related party transactions, and the principal insurance subsidiary's underwriting and claims operations, selected branches, business practices in the appointment of panel firms, independent validation of Differential Levy System Quantitative Information and Returns on Calculation of Levies, management of customer information and permitted disclosures, product transparency and disclosure, Board responsibility and oversight, organisational sustainability, and post-implementation of internet insurance system, among others.

ACTIVITIES OF THE COMMITTEE (CONT'D)

Related Party Transactions

(a) Reviewed, with the assistance of the Group Internal Audit Department, related party transactions entered into by the Company and the Group to ensure that the transactions entered into were in adherence to paragraphs 10.08 and 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Chapter 10 Part E - Related Party Transactions), BNM's policy document on Related Party Transactions (ref. BNM/RH/GL 018-6) and the Related Party Transactions Policy and Procedures adopted by the Group; and the adequacy, appropriateness and compliance of the procedures established to monitor related party transactions.

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

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

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

Others

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

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

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

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

Report of the Audit Committee
(Cont'd)

ACTIVITIES OF THE COMMITTEE (CONT'D)

Others (Cont'd)

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

(f) Reviewed the revised Audit Committee Charter and made recommendation to the Board for approval prior to its adoption.

(g) Reviewed the Whistleblowing Policy and made recommendation to the Board for approval prior to its adoption.

(h) Reviewed and deliberated on the Update of Local Benchmarking Analysis for the financial year ended 30 September 2018 prior to recommendation to the Board to facilitate its deliberation. The document was prepared by the tax consultants in accordance with the Income Tax (Transfer Pricing) Rules, the Malaysian Transfer Pricing Guidelines 2012 issued by the Malaysian Inland Revenue Board and, where relevant, the transfer pricing guidelines issued by the Organisation for Economic Co-operation and Development.

(i) Verified the allocation of options pursuant to the Employees' Share Option Scheme were in compliance with the approved criteria for allocation of options.

INTERNAL AUDIT ACTIVITIES REPORT

The Audit Committee is supported by an in-house Internal Audit function in the discharge of its duties and responsibilities. The Group Internal Audit Department is headed by the Chief Audit Executive, Mr. Wong Chiang Meng, who is a member of both the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Mr. Wong is also a Certified Internal Auditor and possesses a Certification in Risk Management Assurance. Mr. Wong has 29 years of internal audit experience and thus has the relevant experience, sufficient standing and authority to enable him to discharge his duties and responsibilities effectively.

The Internal Audit function reports directly to the Audit Committee and is independent of the activities it audits. The primary responsibility of the Group Internal Audit Department is to undertake regular and systematic reviews of the risk management process, internal controls and governance practices of the Company and the Group in conformance with the International Professional Practices Framework so as to provide reasonable assurance that the risk management process, internal controls and governance practices are operating satisfactorily and effectively and are in line with the Group's goals and objectives. The total costs incurred for the Internal Audit function of the Group in respect of the financial year ended 30 September 2019 was RM1,309,934.

All 11 Internal Audit personnel in the Group Internal Audit Department do not have family relationships with any Directors or major shareholders of the Company and the Group. They also do not have any conflicts of interest which could impair their objectivity and independence.

The summary of the activities of the Group Internal Audit Department for the financial year ended 30 September 2019 is as follows:

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

INTERNAL AUDIT ACTIVITIES REPORT (CONT'D)

(b) Performed regular governance, risk and control reviews of the strategic business units of the Company and of the Group. Risk-based audits and governance reviews performed included the Group's information technology, investment holding operations, related party transactions, and the principal insurance subsidiary's underwriting and claims operations, selected branches, business practices in the appointment of panel firms, independent validation of Differential Levy System Quantitative Information and Returns on Calculation of Levies, management of customer information and permitted disclosures, product transparency and disclosure, Board responsibility and oversight, organisational sustainability, and post-implementation of internet insurance system, among others. The audit reviews covered the adequacy and effectiveness of the internal control and risk management process and appropriateness and effectiveness of governance practices, reliability and integrity of the financial, operational and management information systems, safeguarding of assets, and compliance with laws, regulations, policies, procedures and contracts.

(c) Issued 28 audit reports to the Audit Committees and management, identifying weaknesses and issues as well as highlighting recommendations for improvement. Such recommendations were acted upon by management within agreed timelines.

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

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

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

(g) Reviewed the unaudited management report and accounts of the Company and the Group with management and the Audit Committee.

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

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

(j) Prepared quarterly reports to the Audit Committee to assist the Audit Committee in its oversight of the Group Internal Audit Department.

(k) Reviewed the appropriateness of the Corporate Governance Overview Statement and Statement on Risk Management and Internal Control in regard to compliance with the Malaysian Code on Corporate Governance and the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers and that the processes adopted by management were consistent with the Internal Audit function's understanding of the Group's risk management and internal control systems and corporate governance practices. Reference was also made to the Corporate Governance Monitor 2019 issued by Securities Commission Malaysia, the letter issued by Bursa Malaysia Securities Berhad to all boards of Main Market Issuers on Key Observations on CG Reports and CG Overview Statements of Listed Issuers, Analysis of Corporate Governance Disclosures in Annual Reports (for Annual Reports 2015 – 2016), the Company's Corporate Governance Disclosure scores and detailed report issued by Bursa Malaysia Securities Berhad.

Report of the Audit Committee
(Cont'd)

INTERNAL AUDIT ACTIVITIES REPORT (CONT'D)

(l) Assisted the Audit Committee to prepare the Report of the Audit Committee in line with the requirements of paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance for inclusion in the Company's Annual Report. Reference was also made to the Analysis of Corporate Governance Disclosures in Annual Reports (for Annual Reports 2015 – 2016) as well as the Company's Corporate Governance Disclosure scores and detailed report issued by Bursa Malaysia Securities Berhad.

(m) Reviewed other disclosures forming the contents of the Company's Annual Report spelt out in Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which included Corporate Information; Profile of the Board of Directors & Key Senior Management; Additional Compliance Statement; Management Discussion and Analysis; Sustainability Statement; Directors' Responsibility Statement in Respect of the Annual Audited Financial Statements; List of Group's Properties; and Shareholdings Statistics.

(n) Reviewed the Corporate Governance Report for announcement to Bursa Malaysia Securities Berhad before recommendation to the Board of Directors for their consideration and approval. Reference was also made to the Corporate Governance Monitor 2019 issued by Securities Commission Malaysia and the letter issued by Bursa Malaysia Securities Berhad to all boards of Main Market Issuers on Key Observations on CG Reports and CG Overview Statements of Listed Issuers to further enhance disclosures in the Corporate Governance Report.

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

(p) Verified the allocation of options pursuant to the Employees' Share Option Scheme and confirmed that the allocations were made in compliance with the approved criteria for allocation of options.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The Group turnover of RM323.5 million recorded during the year under review was higher than the RM317.1 million achieved in 2018, primarily due to an increase in premium income at the insurance subsidiary company. However, due to higher operating expenses, the Group reported a lower pre-tax profit of RM5.9 million as compared to a pre-tax profit of RM16.5 million in 2018.

At Company level, turnover was recorded at RM36.8 million, an increase from RM31.8 million recorded in the previous year. The Company registered a higher profit before tax of RM19.7 million compared to a profit before tax of RM6.7 million in 2018, mainly due to higher dividend income from subsidiary companies and lower allowance for impairment of amounts due from subsidiary companies recorded as compared to the preceding year.

On behalf of your Board of Directors, I have the pleasure of presenting the Annual Report and Audited Financial Statements of your Company for the Financial Year Ended 30 September 2019.

ECONOMIC OUTLOOK

The International Monetary Fund forecast global growth at 3.0 percent for 2019, its slowest pace since the global financial crisis and a 0.3 percentage point downgrade from its earlier forecast. The downward revision reflects the rising trade barriers, increasing geopolitical tension as well as low productivity growth and ageing demographics in advanced economies. Global growth is projected to pick up to 3.4 percent in 2020, a projected improvement in economic performance in a number of emerging markets and developing Europe that are under macroeconomic strain. *(Source: World Economic Outlook October 2019)*

Within Malaysia, the Malaysian Institute of Economic Research ("MIER") has revised upward its 2019 gross domestic product forecast for Malaysia to 4.6 percent from 4.5 percent, due to changes in its forecast model. Despite the revision, MIER is not optimistic due to global headwinds and weak sentiments. *(Source: Malaysian Economic Outlook July 2019)*

PROSPECTS OF THE COMPANY

Looking ahead, your Board expects margins to come under further pressure mainly as a result of intense competition in the insurance industry. However, your Board remains cautiously optimistic about further improving business growth through sound financial management and enhancement of the customer experience through the digitalisation of services.

The Group continues to undertake specific initiatives to strengthen its position in those industries in which it operates. A key focus area for general insurance business will be introducing new products with customised solutions to meet industry needs.

Chairman's Statement
(Cont'd)

DIVIDEND

The principal source of cash/funds for dividend payments by the Company are dividends received from the insurance subsidiary company. Payments of dividends by the insurance subsidiary company are subject to Bank Negara Malaysia approval and therefore it is not practical to maintain a dividend policy.

In general, however, dividend payments depend on earnings, capital commitments and other factors that must be considered by the Board.

In respect of the financial year ended 30 September 2019, your Company paid out dividends on five occasions as follows:

First interim dividend of 1.00 sen per share on 24 January 2019
Second interim dividend of 1.50 sen per share on 21 March 2019
Third interim dividend of 1.25 sen per share on 23 May 2019
Fourth interim dividend of 1.25 sen per share on 15 August 2019
Fifth interim dividend of 1.25 sen per share on 1 November 2019

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

APPRECIATION

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

CHAN HUA ENG
Chairman
December 2019
Kuala Lumpur

PENYATA PENGERUSI

PRESTASI KEWANGAN

Perolehan Kumpulan sebanyak RM323.5 juta yang dicatatkan pada tahun yang dikaji adalah lebih tinggi daripada RM317.1 juta yang diperolehi pada 2018, terutamanya disebabkan oleh kenaikan dalam pendapatan premium anak syarikat insurans. Namun begitu, disebabkan oleh perbelanjaan operasi yang lebih tinggi, Kumpulan mencatatkan keuntungan pracukai yang lebih rendah sebanyak RM5.9 juta berbanding keuntungan pracukai sebanyak RM16.5 juta pada 2018.

Di peringkat Syarikat, perolehan dicatatkan sebanyak RM36.8 juta, suatu peningkatan daripada RM31.8 juta yang dicatatkan pada tahun sebelumnya. Syarikat mencatatkan keuntungan pracukai yang lebih tinggi sebanyak RM19.7 juta berbanding keuntungan pracukai sebanyak RM6.7 juta pada 2018, terutamanya disebabkan oleh pendapatan dividen yang lebih tinggi daripada anak-anak syarikat dan peruntukan yang lebih rendah untuk rosot nilai jumlah terhutang daripada anak-anak syarikat dicatatkan berbanding tahun sebelumnya.

Bagi pihak Lembaga Pengarah anda, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Teraudit Syarikat anda bagi Tahun Kewangan Berakhir 30 September 2019.

PROSPEK EKONOMI

Tabung Kewangan Antarabangsa meramal pertumbuhan global pada 3.0 peratus bagi 2019, kadar paling perlahan sejak krisis kewangan global dan penurunan 0.3 peratus daripada ramalan terdahulu. Semakan penurunan ini mencerminkan peningkatan halangan perdagangan, peningkatan ketegangan geopolitik serta pertumbuhan produktiviti yang rendah dan penuaan demografi di dalam ekonomi maju. Pertumbuhan global dijangka meningkat kepada 3.4 peratus pada 2020, peningkatan yang dijangka dalam prestasi ekonomi di dalam beberapa pasaran baru muncul dan membangun Eropah yang berada di bawah tekanan makroekonomi. (Sumber: *World Economic Outlook October 2019*)

Di Malaysia, Institut Penyelidikan Ekonomi Malaysia ("MIER") telah menyemak naik ramalan produk domestik kasar 2019 untuk Malaysia kepada 4.6 peratus daripada 4.5 peratus, disebabkan oleh perubahan pada model ramalannya. Walaupun begitu, MIER tidak optimistik disebabkan oleh halangan global dan sentimen lemah. (Sumber: *Malaysian Economic Outlook July 2019*)

PROSPEK SYARIKAT

Memandang ke hadapan, Lembaga Pengarah anda menjangkakan margin akan mengalami tekanan berlanjutan terutamanya akibat persaingan sengit dalam industri insurans. Walau bagaimanapun, Lembaga Pengarah anda tetap optimis dengan berhati-hati mengenai penambahbaikan pertumbuhan perniagaan melalui pengurusan kewangan yang baik dan peningkatan pengalaman pelanggan menerusi digitalisasi perkhidmatan.

Kumpulan terus melaksanakan inisiatif khusus untuk mengukuhkan kedudukannya di dalam industri-industri di mana ia beroperasi. Kunci fokus utama untuk perniagaan insurans am adalah akan memperkenalkan produk baharu dengan rumusan bersesuaian untuk memenuhi keperluan industri.

Penyata Pengerusi
(Samb)

DIVIDEN

Sumber utama tunai/dana untuk pembayaran dividen oleh Syarikat adalah dividen yang diterima daripada anak syarikat insurans. Pembayaran dividen oleh anak syarikat insurans adalah tertakluk kepada kelulusan Bank Negara Malaysia dan oleh yang demikian, adalah tidak praktikal untuk mengekalkan polisi dividen.

Secara umum, walau bagaimanapun, pembayaran dividen adalah bergantung kepada pendapatan, komitmen modal dan faktor lain yang perlu dipertimbangkan oleh Lembaga Pengarah.

Berhubung tahun kewangan berakhir 30 September 2019, Syarikat anda telah membayar dividen sebanyak lima kali seperti berikut:

Dividen interim pertama sebanyak 1.00 sen sesaham pada 24 Januari 2019
Dividen interim kedua sebanyak 1.50 sen sesaham pada 21 Mac 2019
Dividen interim ketiga sebanyak 1.25 sen sesaham pada 23 Mei 2019
Dividen interim keempat sebanyak 1.25 sen sesaham pada 15 Ogos 2019
Dividen interim kelima sebanyak 1.25 sen sesaham pada 1 November 2019

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

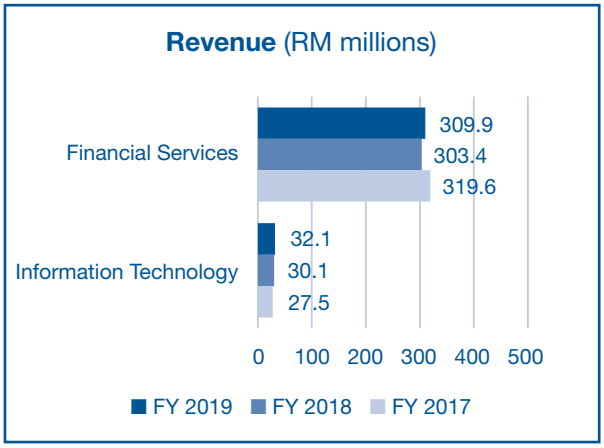
PENGHARGAAN

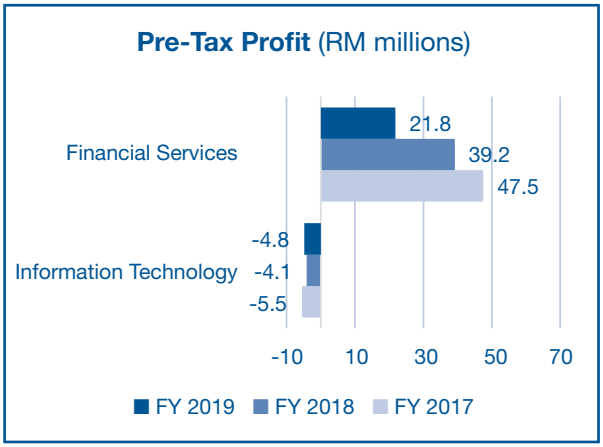
Bagi pihak Lembaga Pengarah, saya ingin mengiktiraf usaha-usaha yang dilakukan oleh pihak pengurusan dan kakitangan sepanjang tahun dan berterima kasih kepada rakan-rakan perniagaan kami atas kerjasama dan sokongan yang berterusan.

CHAN HUA ENG
Pengerusi
Disember 2019
Kuala Lumpur

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW





The Group operates in two main areas namely Financial Services and Information Technology. The former focuses on general insurance and money lending, while the latter is primarily involved in highly customised financial software/ hardware solutions for the insurance industry and security and surveillance systems with a wide range of applications.

A third area of activity is made up of investments in start-up companies ("start-ups") that operate in various industries ranging from financial technology to renewable energy. These start-ups are located in the UK and selected South East Asian countries. These start-ups are currently grouped together as "Other Investments" as they are yet to make any significant contributions to the Group.

In addition to the above, the Group has undertaken a property development project in Miami, Florida, USA. Construction will commence once suitable financing has been secured.

CAPITAL MANAGEMENT

The Group endeavours to employ capital as effectively and efficiently as reasonably possible to ensure that adequate funding is available to:

- Sustain the growth and operations of the companies within the Group
- Satisfy regulatory requirements in respect of capital adequacy at Pacific & Orient Insurance Co. Berhad ("POI")
- Support the Group's new investments
- Pay out dividends

Thus, in addition to reserves of cash and cash equivalents amounting to RM44.5 million (2018: RM57.5 million), the Group maintained the following facilities:

Pacific & Orient Berhad

- Malayan Banking Berhad – RM7.5 million overdraft ("OD") facility
- Malayan Banking Berhad – RM7.5 million revolving credit ("RC") facility
- Hong Leong Bank Berhad – RM15 million RC facility
- RHB Bank Berhad – RM5 million OD facility

Management Discussion and Analysis
(Cont'd)

CAPITAL MANAGEMENT (CONT'D)

P & O Global Technologies Sdn. Bhd.

- Public Bank Berhad – RM500,000 RC facility

P & O Global Technologies, Inc.

- Intercontinental Bank (USA) – USD200,000 term loan facility

Pacific & Orient Insurance Co. Berhad

- Subordinated Notes Programme with an aggregate nominal value of RM150 million issuable in tranches
- Malayan Banking Berhad – RM5 million bank guarantee facility
- Malayan Banking Berhad – RM300,000 OD facility

At POI, capital management is centred on optimising the efficient and effective use of its resources to maximise return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

POI is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital ("RBC") Framework which is imposed by the Minister of Finance as a licensing condition for insurers. Under the RBC Framework for Insurers policy document issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. POI has been maintaining a capital adequacy ratio in excess of the minimum requirement. The prescribed capital structure was as follows:

	2019 RM millions	2018 RM millions
Eligible Tier 1 Capital		
- Share capital (paid-up)	**100.0**	100.0
- Retained earnings	**105.9**	134.9
	205.9	234.9
Tier 2 Capital		
- Capital instruments qualifying as Tier 2 Capital	**27.7**	41.5
- Revaluation reserve	**12.4**	12.4
- Available-for-sale reserve	**–**	4.0
- Fair value through other comprehensive income reserve	**2.0**	–
	42.1	57.9
Amounts deducted from Capital	**(1.4)**	(1.3)
Total Capital Available	**246.6**	291.5

SHARE OPTIONS

On 20 February 2019, the shareholders of the Company at the Annual General Meeting approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares of the Company (exclude treasury shares). Open to eligible employees and Executive Directors of the Group, the ESOS is intended to motivate and retain staff by rewarding them in a manner related to the performance of the Group. By recognising employee contribution in this manner, it is hoped that staff will take even greater interest in the Group's progress.

The ESOS was implemented on 17 June 2019 ("Effective Date") and shall be in force for a period of five years. The tenure of the ESOS may be extended or renewed, at the discretion of the Board upon the recommendation of the ESOS Committee, subject always that the duration of the ESOS shall not be more than ten years from the Effective Date.

On 1 August 2019, the Company had made the first offer of 20,822,000 new ESOS Options pursuant to the ESOS to eligible employees and Executive Directors at the exercise price of RM0.89. As at 30 September 2019, a total of 11,000 new ordinary shares were issued pursuant to the ESOS at an exercise price of RM0.89 per ordinary share for cash.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

TREASURY SHARES

During the financial year, the Company purchased 3,671,200 or 1.28 percent (2018: 663,600 or 0.23 percent) of its issued ordinary shares from the open market under the Share Buyback scheme approved by shareholders. This raised the number of treasury shares held by the Company to 15,943,393 which represents 5.56 percent of the issued ordinary shares. The rationale for the buyback was to stabilise the market price of the Company's shares traded on the Main Market of Bursa Malaysia Securities Berhad and thereby supporting its fundamental value in order to enhance investors' confidence.

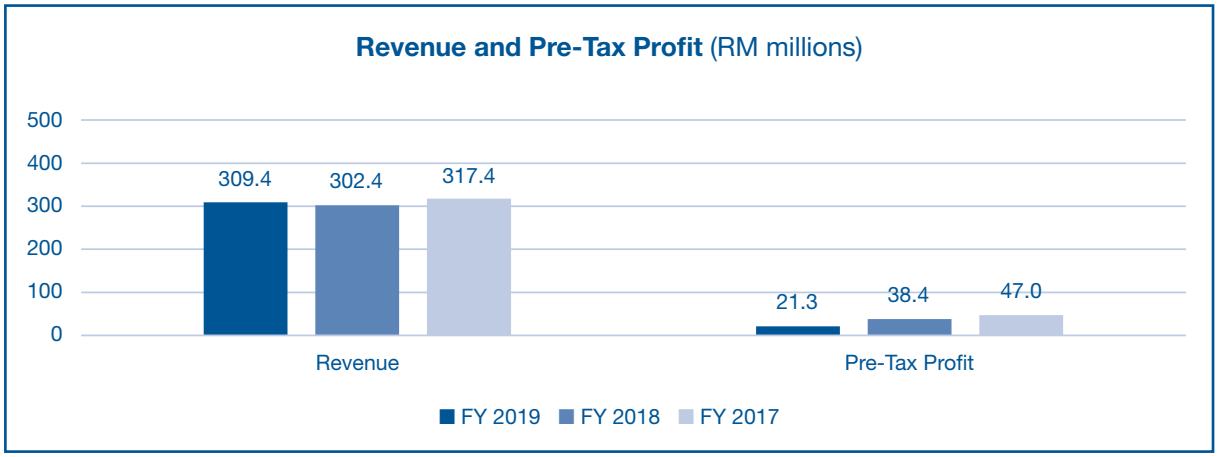
Management Discussion and Analysis
(Cont'd)

PERFORMANCE BY OPERATING BUSINESS SEGMENT

FINANCIAL SERVICES

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

General Insurance



Total revenue at POI was RM309.4 million for the year under review, an increase compared to the RM302.4 million of the previous year. The increase is primarily due to a higher growth in motor premium income. However, pre-tax profit was lower at RM21.3 million as compared to the RM38.4 million recorded in 2018, impacted by higher than expected claims costs and higher marketing expenses incurred during the year.

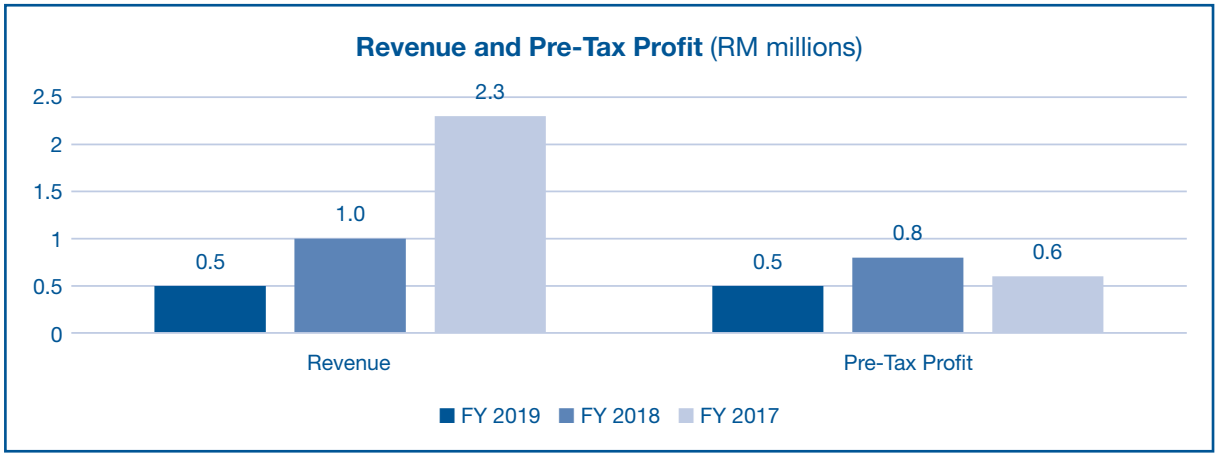
The insurance subsidiary company expects market conditions to remain competitive moving forward but will continue to invest in its capabilities and to pursue profitable growth opportunities. POI has taken action to improve its market coverage and will launch new products supplemented by service enhancements to meet customers' needs.

On the digital front, the insurance subsidiary company will continue to increase its digitalisation capabilities and harness new technologies in order to grow reach and better understand customers.

PERFORMANCE BY OPERATING BUSINESS SEGMENT (CONT'D)

FINANCIAL SERVICES (CONT'D)

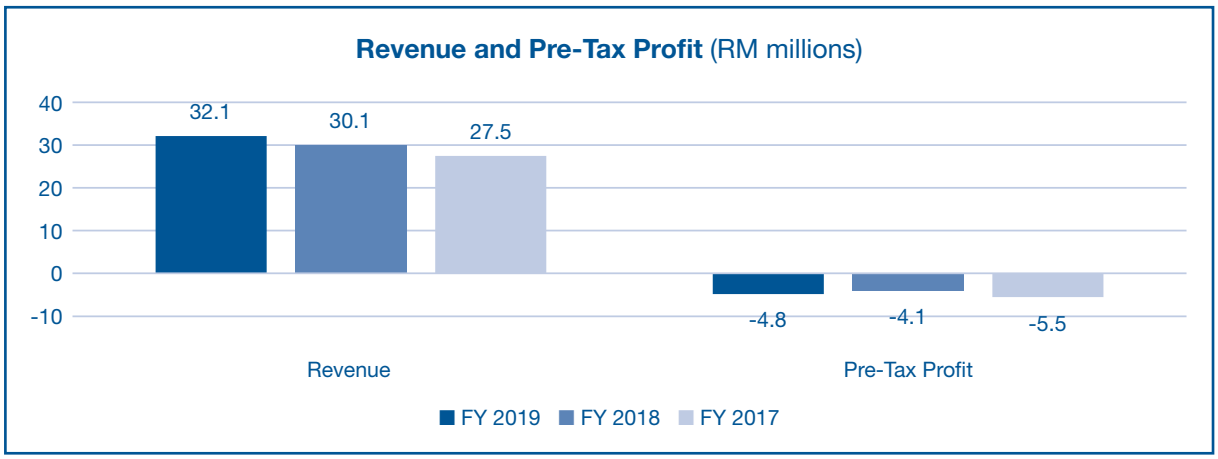
Money Lending



The money lending subsidiary saw a reduction in turnover to RM0.5 million from RM1.0 million in 2018. This was due to a reduction in interest income following the repayment of a loan in 2018. Correspondingly, the money lending subsidiary recorded a lower pre-tax profit of RM0.5 million compared to RM0.8 million in 2018.

In line with its previous practice, POC will remain highly selective in providing loans targeted at individuals with high income and/or good quality collateral.

INFORMATION TECHNOLOGY



The Information Technology ("IT") division comprises P & O Global Technologies Sdn. Bhd., P & O Global Technologies, Inc. and P&O Global Technologies (Thailand) Co., Ltd. which operate in Malaysia, USA and Thailand respectively.

In general, the IT business saw an increase in revenue of RM32.1 million from RM30.1 million the year before. Despite the better performance, the IT division recorded higher operating expenses as compared to the year before. This in turn translated into a higher pre-tax loss of RM4.8 million from the corresponding loss of RM4.1 million in 2018.

The IT business is expected to face continued competition from other industry players. In response to this, the Group has over the years been upgrading its technical capabilities to extend its product and service range to cater to different demands while seeking to diversify revenue streams.

SUSTAINABILITY STATEMENT

SCOPE

This Sustainability Statement ("Statement") covers our sustainability efforts in our main activities and key operations in Malaysia from 1 October 2018 to 30 September 2019. This Statement has been prepared based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

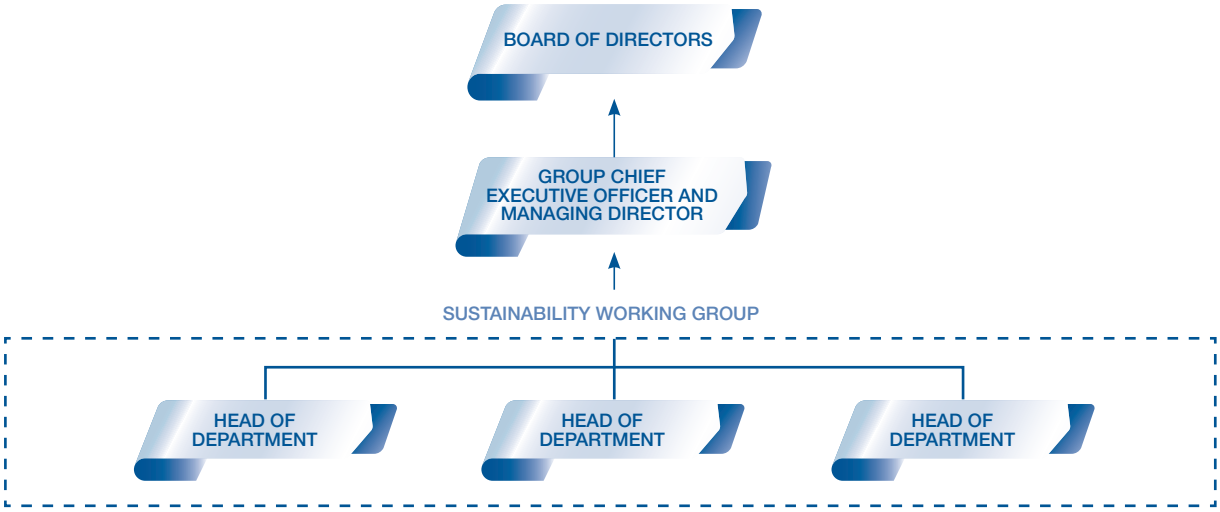
The Group recognises the importance of creating long-term sustainable value for all stakeholders. In this regard, the Group endeavours to address issues related to sustainability across the various Economic, Environmental and Social ("EES") impacts of the activities of the Group while looking after the interests of our key stakeholders.

GOVERNANCE STRUCTURE AND RESPONSIBILITY

The Board of Directors is ultimately responsible for management, direction and performance of sustainability efforts within the Group. The Board has mandated the Group Chief Executive Officer and Managing Director to set the strategic direction of the Group. The Board also takes on the role of reviewing the effectiveness of the risk management process of the sustainability matters to the Group.

The Group Chief Executive Officer and Managing Director assumes the role of primary decision maker for all sustainability efforts within the Group where he approves and delegates the strategic direction, framework, plans and targets of sustainability efforts of the Group to the Sustainability Working Group for execution.

The Group Chief Executive Officer and Managing Director will review the sustainability efforts and report to the Board on a timely basis.



STAKEHOLDER ENGAGEMENT

The Group recognises the importance of engaging with its stakeholders in order to identify their concerns and views on sustainability issues. For the current reporting year, the Group has identified customers, employees, shareholders, government and regulators as key stakeholders.

The engagement approach to key stakeholders can be summarised below:

Stakeholders	Communication Channels	Frequency of Engagement
Customers	• Company website • Feedback forms • Other channels including social media platforms, email and hotlines • Survey	• Regular • Daily • Daily • Ad-hoc
Employees	• Internal feedback • Performance appraisal	• Regular • Annually
Investors/ Shareholders	• Annual general meeting • Annual report • Bursa Announcements • Circulars	• Annually • Annually • Regular • Ad-hoc
Government and Regulators	• Meetings • Reports	• Ad-hoc • Regular

Material Assessment and Sustainability Matters

The Group has identified issues that are material to both our Group and key stakeholders. These material EES issues are determined based on their likelihood and potential impact on the Group's business and long-term growth.

Economic

Financial sustainability is key to any responsible profit-seeking commercial entity. The Group seeks to achieve this through the pursuit of long-term profitability by investing in and operating businesses that provide quality sources of recurring income with a view to growing them to their full potential. However, the increasing pace of global economic change too often has adverse effects on businesses (and whole industries) such that seemingly viable enterprises fail with worrying regularity. The Group has therefore sought to diversify its sources of income through various investments.

Sustainability is also enhanced through sound financial management. In the various business unit of the Group, a range of measures are employed including, for example setting periodic strategic business plans and reviewing them regularly; monitoring capital requirements; maintaining close budgetary control and analysing financial performance.

The Group views technology and innovation as an integral part of its continuous effort to improve efficiency, communication, product development as well as to engage with business partners and customers. These improvements increase the ability of the Group to remain competitive against industry peers.

Environmental

The Group endeavours to reduce the impact of its business activities on the environment by placing importance on the efficient use and conservation of resources and communicating this idea to employees. Thus, the Group has implemented simple and effective measures such as switching off the lights when away from the work place; switching off office equipment or computers when not in use; consuming water sparingly; reducing use of and reusing paper and packaging and recycling paper waste, wherever possible.

Sustainability Statement
(Cont'd)

SOCIAL

Employees

Employees are a prime asset of the Group's business as they are key to the quality and efficiency of the business and customer satisfaction. The Group values the contributions by all employees towards sustaining the Group's long-term success. Therefore, it is a priority to ensure their welfare, benefits, work conditions, and development are managed well. The terms and benefits are documented in various human resource policies that apply to the relevant type of personnel and staff level. Fair and non-discriminatory employment practices are put in place to attract and retain talent.

The Group believes diversity at the workplace can bring out multitude of talent and skill sets. The Group does not discriminate against any employee based on race religion, gender or political belief.

The Group is also constantly promoting a culture of learning and development in the workplace. The Group has also in place training to further develop and enhance employee's skills as required. Support to employees' career goals and continuous education through study assistance programme may be offered based on competency assessments and succession planning for relevant positions.

Customers

Customer satisfaction is the basis of a sustainable business and engagement with customers provides opportunity for the Group to improve many areas such as, for example, service quality, product range and branding. The Group maintains a number of different channels for customers to provide feedback, namely, website, social media platforms and call centre. In addition, the insurance subsidiary maintains a dedicated customer complaints department as mandated by Bank Negara Malaysia.

As part of the Group's commitment to its customers and to fulfil the responsibilities under the Personal Data Protection Act, a high level of confidentiality and security is maintained for all information gathered from its customers.

Community

The Group is aware of its place in society and has sought to contribute generally through charitable donations. Commitments include reducing the cost of insurance for disabled drivers and motorcyclists by waiving loading on motor policies sold to them.

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

The Directors are responsible for the preparation of Group's and the Company's financial statements each financial year in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, the requirements of the Companies Act 2016, Financial Services Act 2013, Bank Negara Malaysia's guidelines and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

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

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

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

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DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2019.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	Group RM'000	Company RM'000
Net (loss)/profit for the year	(972)	18,958
Attributable to:		
Equity holders of the Company	(8,435)	18,958
Non-controlling interest	7,463	–
	(972)	18,958

DIVIDENDS

The amount of dividends paid or declared by the Company since 30 September 2018 were as follows:

	RM'000
In respect of the financial year ended 30 September 2019:	
1st interim single tier dividend of 1.00 sen per share, declared on 20 December 2018 and paid on 24 January 2019	2,728
2nd interim single tier dividend of 1.50 sen per share, declared on 19 February 2019 and paid on 21 March 2019	4,088
3rd interim single tier dividend of 1.25 sen per share, declared on 17 April 2019 and paid on 23 May 2019	3,403
4th interim single tier dividend of 1.25 sen per share, declared on 10 July 2019 and paid on 15 August 2019	3,392
5th interim single tier dividend of 1.25 sen per share, declared on 25 September 2019 and paid on 1 November 2019	3,388
	16,999

The Directors do not recommend the payment of any final dividend for the financial year ended 30 September 2019.

Directors' Report
(Cont'd)

RESERVES AND PROVISIONS

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

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from 286,946,333 to 286,957,333 by way of issuance of 11,000 new ordinary shares pursuant to the Company's Employees' Share Option Scheme at an exercise price of RM0.89 per ordinary share for cash.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS was approved by the shareholders at the Annual General Meeting held on 20 February 2019 and came into effect on 17 June 2019. The ESOS shall be in force for a period of five years until 16 June 2024 ("the option period").

The ESOS is administered by the ESOS committee that have been approved by the Board.

The main features of the ESOS are as follows:

(a) The ESOS is made available to eligible employees and Executive Directors who are confirmed employees of the Group and the Company, as amended from time to time, and any re-enactment thereof;

(b) The number of options offered under the ESOS shall not exceed in aggregate 15% of the total issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any one time during the duration of the ESOS, or such percentage of the issued and paid-up share capital of the Company as may be permitted by Bursa Malaysia Securities Berhad ("Bursa Securities") from time to time during the duration of the ESOS;

(c) The exercise price under the ESOS shall be based on the five days weighted average market price of the ordinary shares of the Company immediately preceding the date of offer of the ESOS as shown in the daily official list issued by Bursa Securities, and at the sole discretion of the ESOS Committee with either a:

    (i) premium; or

    (ii) discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and any other relevant authorities from time to time.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (CONT'D)

(d) The maximum number of options, which may be offered to any eligible employee or Executive Director shall be at the discretion of the ESOS Committee after taking into consideration, amongst others, the eligible employee's and Executive Director's position, performance and length of service in the Group and the Company respectively, or such other matters that the ESOS Committee may in its discretion deem fit, subject to the following:

(i) not more than 50% of the options available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Group and the Company; and

(ii) not more than 10% of the options available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued ordinary shares of the Company (excluding treasury shares, if any).

(e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee;

(f) A grantee of the option shall not be entitled to any dividends, right or other entitlement on the option relating to his/her unexercised options; and

(g) The new ordinary shares of the Company to be allotted and issued pursuant to any exercise of an option will upon such allotment and issuance rank equally in all respects with the then existing, issued share capital of the Company.

During the financial year ended 30 September 2019, the Company granted a total of 20,822,000 options at an exercise price of RM0.89 under the ESOS. Of this total, 20,766,000 options remain outstanding and exercisable as at 30 September 2019.

Included in the total of 20,822,000 options granted during the current financial year were 2,625,000 options granted to the Executive Directors/Chief Executive Officer ("CEO") of the Company and the Group, and person connected to the CEO of the Company, all of which remain outstanding as at 30 September 2019.

Further details on the ESOS are disclosed in Note 38 to the financial statements.

TREASURY SHARES

During the financial year, the Company purchased 3,671,200 of its issued and fully paid ordinary shares from the open market at an average price of RM1.01 per share for a consideration of RM3,690,533. The purchase was financed by internally generated funds. These shares are held as treasury shares in accordance with Section 127 of the Companies Act 2016. Further relevant details are disclosed in Note 29(a) to the financial statements.

BAD AND DOUBTFUL DEBTS

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

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

Directors' Report
(Cont'd)

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS

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

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

In accordance with Article 77 of the Company's Constitution, Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed and Mr. Chan Thye Seng retire from the Board by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Directors and officers of the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Company amounted to RM48,000 and RM8,897 respectively.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

Directors' Report
(Cont'd)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares			
	At 1 October 2018	Acquired	Disposed	At 30 September 2019
The Company				
Mr. Chan Hua Eng				
- Direct interest	331,564	–	–	331,564
- Indirect interest	6,254,924	–	–	6,254,924
Mr. Chan Thye Seng				
- Direct interest	39,250,538	–	–	39,250,538
- Indirect interest	127,219,650	–	–	127,219,650
Mr. Michael Yee Kim Shing				
- Direct interest	233,333	–	–	233,333
- Indirect interest	479,519	–	–	479,519
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed				
- Direct interest	233,333	–	–	233,333
Dato' Dr. Zaha Rina binti Zahari				
- Direct interest	1,000,066	–	–	1,000,066

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

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

SUBSEQUENT EVENT

Subsequent event between the end of the reporting period and the date when the financial statements are authorised for issue is disclosed in Note 59 to the financial statements.

AUDITORS' REMUNERATION

Total amounts paid or payable to the auditors as remuneration for their statutory audit services is disclosed in Note 40 to the financial statements.

AUDITORS

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

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 13 December 2019.

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

STATEMENT BY DIRECTORS

We, CHAN THYE SENG and MICHAEL YEE KIM SHING, being two of the Directors of PACIFIC & ORIENT BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 68 to 208 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 and of the results and cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13 December 2019.

CHAN THYE SENG **MICHAEL YEE KIM SHING**

Kuala Lumpur

STATUTORY DECLARATION

I, LIM HING YOONG, being the Officer primarily responsible for the financial management of PACIFIC & ORIENT BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 68 to 208 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by)
the abovenamed LIM HING YOONG)
at Kuala Lumpur in Wilayah) **LIM HING YOONG**
Persekutuan on 13 December 2019.)

Before me,

KAPT. (B) JASNI BIN YUSOFF
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Pacific & Orient Berhad, which comprise the statements of financial position as at 30 September 2019 of the Group and of the Company, and the statements of changes in equity, income statements, statements of comprehensive income and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 208.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

1. Insurance contract liabilities of the Group

The Group's insurance contract liabilities as at 30 September 2019 amounted to RM515.1 million or approximately 87.4% of its total liabilities. The insurance contract liabilities include the claims and premium liabilities of the insurance subsidiary, Pacific & Orient Insurance Co. Berhad.

These liabilities have been estimated based on standard actuarial valuation methodologies and other estimation models as allowed under the Risk-based Capital Framework issued by Bank Negara Malaysia, as well as the accounting policies described in Notes 2(w)(ii) and 2(x) for premium liabilities, claim liabilities and liability adequacy test respectively.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

1. Insurance contract liabilities of the Group (Cont'd)

The complexity of the actuarial valuation methodologies and other estimation models applied to claims and premium liabilities may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant valuation models by the management's expert (i.e. the Appointed Actuary) and the use of inappropriate or outdated assumptions. Significant professional judgement is applied by the Group in deriving the assumptions (as described in Note 4(b)(vi) to the financial statements) and any significant changes thereon may have a material effect on the insurance contract liabilities.

Estimates of claims liabilities have to be made for both the expected ultimate costs of claims already reported at the reporting date, and for the expected ultimate costs of claims incurred but not yet reported ("IBNR") as of the financial year end. The estimates of premium liabilities is based on the higher of the Unearned Premium Reserves ("UPR"), as estimated by management and the Unexpired Risk Reserves ("URR"), as estimated by the Appointed Actuary. The estimation of insurance contract liabilities are sensitive to various factors and uncertainties as discussed in Note 55. Significant management judgement is applied in setting these assumptions.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating the insurance contract liabilities of the Group;
- Reviewing the reports prepared by the Appointed Actuary in respect of the insurance contract liabilities of the Group;
- Assessing the design and testing the operating effectiveness of internal controls over the actuarial valuation process with respect to financial reporting;
- Testing the completeness and sufficiency of data used in the valuation of insurance contract liabilities. These tests also included control tests performed on a selected sample of claims reserves, claims paid and insurance policies issued by the Group to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;
- Assessing the experience analyses of the insurance subsidiary used during the setting of the key assumptions to derive the insurance contract liabilities and challenging the rationale applied by the Appointed Actuary and management in deriving those assumptions. In addition and where appropriate, comparisons have also been made against other industry constituents and the experience of the subsidiary;
- Performing independent analyses and re-computation of the insurance contract liabilities for selected classes of business, focusing on the most significant business portfolio and those which may potentially result in significant deviations in estimates. We compared our independent analyses to those performed by management to ascertain if the reserves were sufficient and within range of our independent analyses;
- Reviewing the Liability Adequacy Test results performed by the insurance subsidiary;
- Performing tests on the UPR calculations produced by management and thereafter, comparing the UPR against the URR valuation performed by the Appointed Actuary to ascertain if adequate reserves have been established; and
- Assessing the adequacy of disclosures made in respect of the insurance contract liabilities of the Group as disclosed in Note 23.

We have also engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* to assist us in performing our audit procedures on the insurance contract liabilities of the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

2. Investment in subsidiary and associated companies and amount due from subsidiary companies of the Group and Company

As at 30 September 2019, the carrying amounts of investment in subsidiary companies (Company), amount due from subsidiary companies (Company), and investment in associated companies (Group) stood at RM156.1 million, RM155.3 million and RM18.5 million respectively.

The Group and the Company have performed impairment assessments to ascertain if the Value-In-Use ("VIU") of respective cash generating units ("CGUs") is sufficient to support the respective carrying amounts as at 30 September 2019.

In testing for impairment, the Group and the Company estimated the VIU of the respective CGUs using the discounted cash flow ("DCF") method. The DCF method requires the application of assumptions which are subjective in nature and which will require judgement in its application. The application of such assumptions will have an impact on the estimated VIU and thus, affect the impairment decisions to be made for each CGU. The policy for impairment of non-financial assets is disclosed in Note 2(j)(ii).

Our audit procedures were focused on the following key areas:

- Challenging the key assumptions which would have the most significant effect on the estimated VIU calculated by the Group and the Company and benchmarking these against industry and historical experiences of the Group and of the Company;
- Understanding the rationale and considerations used by management in deriving the relevant assumptions underlying the DCF and related VIU estimates; and
- Performing mathematical accuracy calculations on the DCF workings performed by the Group and the Company.

Information other than the financial statements and auditors' report thereon

The directors of the Group and of the Company are responsible for the other information. The other information consists of the information included in the directors' report and the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, and for such internal control as directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group and of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

Other matters

This report is made solely to the members of the Group and of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
13 December 2019

STATEMENTS OF FINANCIAL POSITION

As at 30 September 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Property, plant and equipment	5	**24,004**	24,106	**1,421**	1,548
Investment properties	6	**1,220**	1,220	**–**	–
Prepaid land lease payments	7	**290**	294	**–**	–
Intangible assets	8	**1,867**	1,921	**54**	66
Deferred tax assets	9	**510**	514	**510**	514
Investments	10	**245,496**	164,918	**54,244**	88,675
Investment in subsidiary companies	11	**–**	–	**156,070**	155,222
Investment in associated companies	12	**18,528**	19,937	**–**	–
Inventories - goods for resale	13	**552**	508	**–**	–
Land held for development	14	**47,345**	45,416	**–**	–
Loans	15	**2,155**	7,967	**–**	–
Reinsurance assets	16	**161,941**	171,803	**–**	–
Insurance receivables	17	**24,792**	25,180	**–**	–
Trade receivables	18	**2,395**	2,450	**–**	–
Other receivables	18	**72,172**	74,655	**788**	1,054
Due from subsidiary companies	19	**–**	–	**155,275**	121,866
Due from an associated company	20	**6,744**	3,731	**–**	–
Deposits and placements with financial institutions	21	**332,267**	458,515	**–**	–
Cash and bank balances	22	**44,456**	57,469	**3,120**	7,492
TOTAL ASSETS		**986,734**	1,060,604	**371,482**	376,437
LIABILITIES					
Insurance contract liabilities	23	**515,060**	534,128	**–**	–
Insurance payables	24	**14,693**	14,771	**–**	–
Deferred tax liabilities	9	**3,078**	3,649	**–**	–
Trade payables	25	**435**	411	**–**	–
Other payables	25	**14,943**	15,414	**1,633**	1,452
Due to subsidiary companies	26	**–**	–	**47**	45
Hire purchase creditors	27	**1,419**	1,412	**473**	631
Borrowings	28	**35,179**	35,004	**–**	–
Dividend payable		**3,388**	3,432	**3,388**	3,432
Tax payable		**928**	3,819	**–**	20
TOTAL LIABILITIES		**589,123**	612,040	**5,541**	5,580

Statements of Financial Position
As at 30 September 2019
(Cont'd)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
EQUITY					
Share capital	29	**147,289**	147,279	**147,289**	147,279
Treasury shares	29	**(17,156)**	(13,465)	**(17,156)**	(13,465)
Merger reserve	30	**20,792**	20,792	**–**	–
Translation reserve	30	**(17,037)**	(14,252)	**–**	–
Revaluation reserve	30	**10,624**	10,624	**–**	–
Available-for-sale reserve	30	**–**	10,329	**–**	8,852
Fair Value through Other Comprehensive Income ("FVOCI") reserve	30	**4,792**	–	**4,389**	–
Share options reserve	30	**1,046**	–	**1,046**	–
Retained profits		**139,344**	164,130	**230,373**	228,191
Equity attributable to equity holders of the Company		**289,694**	325,437	**365,941**	370,857
Non-controlling interest		**107,917**	123,127	**–**	–
TOTAL EQUITY		**397,611**	448,564	**365,941**	370,857
TOTAL EQUITY AND LIABILITIES		**986,734**	1,060,604	**371,482**	376,437

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

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 30 September 2019

		Attributable to equity holders of the Company											
				Non-Distributable						Distributable			
Group	Note	Share Capital RM'000	Treasury Shares RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Available-For-Sale Reserve RM'000	Share Options Reserve RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1 October 2018 (As previously stated)		147,279	(13,465)	20,792	(14,252)	10,624	10,329	–	–	164,130	325,437	123,127	448,564
Effects of adoption of MFRS 9	3(ii)	–	–	–	–	–	(10,329)	–	9,879	648	198	191	389
At 1 October 2018 (As restated)		147,279	(13,465)	20,792	(14,252)	10,624	–	–	9,879	164,778	325,635	123,318	448,953
Share options vested under ESOS	38	–	–	–	–	–	–	1,047	–	–	1,047	–	1,047
Ordinary shares issued pursuant to exercised of ESOS	29,38	10	–	–	–	–	–	(1)	–	–	9	–	9
Purchase of treasury shares	29(a)	–	(3,691)	–	–	–	–	–	–	–	(3,691)	–	(3,691)
Net loss for the year		–	–	–	–	–	–	–	–	(8,435)	(8,435)	7,463	(972)
Other comprehensive loss for the year		–	–	–	(2,785)	–	–	–	(5,087)	–	(7,872)	(814)	(8,686)
Total comprehensive loss for the year		–	–	–	(2,785)	–	–	–	(5,087)	(8,435)	(16,307)	6,649	(9,658)
Dividends	31	–	–	–	–	–	–	–	–	(16,999)	(16,999)	–	(16,999)
Dividends to a non-controlling interest by a subsidiary company		–	–	–	–	–	–	–	–	–	–	(22,050)	(22,050)
At 30 September 2019		147,289	(17,156)	20,792	(17,037)	10,624	–	1,046	4,792	139,344	289,694	107,917	397,611

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

Statements of Changes in Equity
For the Year Ended 30 September 2019
(Cont'd)

		← Attributable to equity holders of the Company →									
				← Non-Distributable →				Distributable			
	Note	Share Capital RM'000	Treasury Shares RM'000	Merger Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Available-For-Sale Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
Group											
At 1 October 2017		147,279	(12,759)	20,792	(15,561)	10,624	13,045	192,606	356,026	129,115	485,141
Purchase of treasury shares	29(a)	–	(706)	–	–	–	–	–	(706)	–	(706)
Net profit for the year		–	–	–	–	–	–	(12,267)	(12,267)	13,533	1,266
Other comprehensive loss for the year		–	–	–	1,309	–	(2,716)	–	(1,407)	(1,636)	(3,043)
Total comprehensive loss for the year		–	–	–	1,309	–	(2,716)	(12,267)	(13,674)	11,897	(1,777)
Dividends	31	–	–	–	–	–	–	(16,209)	(16,209)	–	(16,209)
Dividends to a non-controlling interest by a subsidiary company		–	–	–	–	–	–	–	–	(17,885)	(17,885)
At 30 September 2018		147,279	(13,465)	20,792	(14,252)	10,624	10,329	164,130	325,437	123,127	448,564

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

Statements of Changes in Equity
For the Year Ended 30 September 2019
(Cont'd)

		Attributable to equity holders of the Company						
				Non-Distributable			Distributable	
	Note	Share Capital RM'000	Treasury Shares RM'000	Available-For-Sale Reserve RM'000	Share Options Reserve RM'000	FVOCI Reserve RM'000	Retained Profits RM'000	Total RM'000
Company								
At 1 October 2018 (As previously stated)		**147,279**	**(13,465)**	**8,852**	**–**	**–**	**228,191**	**370,857**
Effects of adopting MFRS 9	3(ii)	**–**	**–**	**(8,852)**	**–**	**8,629**	**223**	**–**
At 1 October 2018 (As restated)		**147,279**	**(13,465)**	**–**	**–**	**8,629**	**228,414**	**370,857**
Share options vested under ESOS	38	**–**	**–**	**–**	**1,047**	**–**	**–**	**1,047**
Ordinary shares issued pursuant to ESOS	29,38	**10**	**–**	**–**	**(1)**	**–**	**–**	**9**
Purchase of treasury shares	29(a)	**–**	**(3,691)**	**–**	**–**	**–**	**–**	**(3,691)**
Net profit for the year		**–**	**–**	**–**	**–**	**–**	**18,958**	**18,958**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(4,240)**	**–**	**(4,240)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(4,240)**	**18,958**	**14,718**
Dividends	31	**–**	**–**	**–**	**–**	**–**	**(16,999)**	**(16,999)**
At 30 September 2019		**147,289**	**(17,156)**	**–**	**1,046**	**4,389**	**230,373**	**365,941**
At 1 October 2017		147,279	(12,759)	9,866	–	–	242,036	386,422
Purchase of treasury shares	29(a)	–	(706)	–	–	–	–	(706)
Net profit for the year		–	–	–	–	–	2,364	2,364
Other comprehensive loss for the year		–	–	(1,014)	–	–	–	(1,014)
Total comprehensive income for the year		–	–	(1,014)	–	–	2,364	1,350
Dividends	31	–	–	–	–	–	(16,209)	(16,209)
At 30 September 2018		147,279	(13,465)	8,852	–	–	228,191	370,857

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

INCOME STATEMENTS

For the Year Ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	32	**323,480**	317,145	**36,807**	31,807
Other operating income	33	**34,389**	28,612	**26**	2,590
		357,869	345,757	**36,833**	34,397
Changes in inventories		**(2,284)**	(2,075)	**–**	–
Gross premium ceded to reinsurers		**(102,169)**	(106,285)	**–**	–
Change in premium liabilities ceded to reinsurers	43	**(5,470)**	(563)	**–**	–
Premiums ceded to reinsurers		**(107,639)**	(106,848)	**–**	–
Gross claims paid		**(163,745)**	(198,744)	**–**	–
Claims ceded to reinsurers		**52,151**	68,574	**–**	–
Gross decrease in insurance contract liabilities		**17,994**	76,682	**–**	–
Change in insurance contract liabilities ceded to reinsurers		**(4,392)**	(28,050)	**–**	–
Net claims incurred	34	**(97,992)**	(81,538)	**–**	–
Commission expenses	43	**(33,149)**	(32,384)	**–**	–
Staff costs	36	**(50,068)**	(47,505)	**(8,740)**	(8,156)
Depreciation		**(2,121)**	(2,161)	**(209)**	(231)
Amortisation	39	**(565)**	(485)	**(13)**	(13)
Other operating expenses	40	**(50,778)**	(49,082)	**(7,791)**	(18,815)
Operating profit		**13,273**	23,679	**20,080**	7,182
Finance costs	41	**(3,314)**	(3,373)	**(380)**	(444)
Share of losses of associated companies (net of tax)		**(4,067)**	(3,846)	**–**	–
Profit before taxation	42	**5,892**	16,460	**19,700**	6,738
Income tax expense	49	**(6,864)**	(15,194)	**(742)**	(4,374)
Net (loss)/profit for the year		**(972)**	1,266	**18,958**	2,364
Attributable to:					
Equity holders of the Company		**(8,435)**	(12,267)	**18,958**	2,364
Non-controlling interest		**7,463**	13,533	**–**	–
		(972)	1,266	**18,958**	2,364
(Loss) per share attributable to equity holders of the Company (sen)					
Basic	50	**(3.10)**	(4.74)		
Diluted		***(1)**	*(2)		

*(1) Not disclosed as it is anti dilutive
*(2) There were no potential dilutive ordinary shares during this reporting period

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

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 30 September 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net (loss)/profit for the year		**(972)**	1,266	**18,958**	2,364
Other comprehensive loss:					
Items that may not be reclassified to income statements in subsequent periods:					
- Fair value changes on FVOCI financial assets - equity instruments					
- Loss in fair value changes	10	**(6,467)**	–	**(4,240)**	–
		(6,467)	–	**(4,240)**	–
- Deferred tax		**534**	–	**–**	–
Net loss		**(5,933)**	–	**(4,240)**	–
Items that may be reclassified to income statements in subsequent periods:					
- Currency translation differences in respect of foreign operations		**(2,785)**	1,309	**–**	–
- Fair value changes on AFS financial assets					
- Loss in fair value changes		**–**	(4,628)	**–**	(1,014)
- Transfer to income statement upon disposal		**–**	(778)	**–**	–
	10	**–**	(5,406)	**–**	(1,014)
- Deferred tax	9	**–**	1,054	**–**	–
Net loss		**–**	(4,352)	**–**	(1,014)
- Fair value changes on FVOCI financial assets - debt instruments					
- Gain in fair value changes	10	**42**	–	**–**	–
		42	–	**–**	–
- Deferred tax		**(10)**	–	**–**	–
Net gain		**32**	–	**–**	–
Other comprehensive loss for the year, net of tax		**(8,686)**	(3,043)	**(4,240)**	(1,014)
Total comprehensive (loss)/income for the year		**(9,658)**	(1,777)	**14,718**	1,350
Attributable to:					
Equity holders of the Company		**(16,307)**	(13,674)	**14,718**	1,350
Non-controlling interest		**6,649**	11,897	**–**	–
		(9,658)	(1,777)	**14,718**	1,350

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 September 2019

	Note	2019 RM'000	2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**5,892**	16,460
Adjustments for:			
Depreciation of property, plant and equipment	5	**2,121**	2,161
Amortisation of:			
- prepaid land lease payments	39	**4**	4
- intangible assets	39	**561**	481
Loss on disposal of property, plant and equipment	40	**40**	260
Property, plant and equipment written off	40	**4**	48
Intangible assets written off		**2**	22
Gain on disposal of investments	33	**(701)**	(778)
Loss on fair value of investments held at fair value through profit or loss	40	**2,725**	1,590
Impairment of intangible assets	40	**25**	19
Dividend income		**(5,293)**	(5,357)
Interest income		**(14,589)**	(15,339)
Income from Sukuk		**(3)**	(5)
Income from Islamic fixed deposits		**(5,708)**	(6,561)
Interest expense	41	**2,957**	3,029
Allowance for impairment:			
- associated companies	40	**–**	2,293
- insurance receivables	40	**56**	591
- trade receivables	40	**613**	707
Write back in allowance for impairment:			
- insurance receivables	40	**–**	(76)
- trade receivables	40	**(131)**	(1,210)
- other receivables	40	**–**	(438)
Non-allowable expenses		**–**	344
Bad debts written off:			
- trade receivables	40	**–**	3
Share of losses of associated companies		**4,067**	3,846
Allowance for unutilised leave	36	**267**	(9)
Pension cost – defined benefit plan		**164**	71
Share options expense	36	**1,046**	–
Unrealised loss on foreign exchange		**69**	3,704
Transfer to property, plant and equipment from inventories		**–**	(9)
Operating (loss)/profit before working capital changes		**(5,812)**	5,851

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

Consolidated Statement of Cash Flows
For the Year Ended 30 September 2019
(Cont'd)

	Note	2019 RM'000	2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (Cont'd)			
Changes in working capital:			
Disposal of investments		**118,093**	186,464
Purchase of investments		**(229,730)**	(203,014)
Decrease in deposits and placements with financial institutions		**126,267**	101,255
Due from an associated company		**(3,013)**	(3,731)
Decrease in loans		**5,812**	126
Decrease in reinsurance assets		**9,862**	28,613
Decrease/(increase) in insurance receivables		**332**	(4,787)
Increase in trade and other receivables		**(2,280)**	(471)
Increase in inventories - goods for resale		**(44)**	(28)
Additional direct expenditure of land held for development		**(2,177)**	(6,895)
Decrease in insurance contract liabilities		**(19,068)**	(76,989)
(Decrease)/increase in insurance payables		**(78)**	4,266
Decrease in payables		**(725)**	(1,154)
Cash (used in)/generated from operations		**(2,561)**	29,506
Tax paid, net of tax refunded		**(2,939)**	(12,241)
Dividends received		**5,742**	4,986
Interest received		**16,797**	18,164
Income received from Sukuk		**3**	6
Income received from Islamic fixed deposits		**5,708**	6,561
Interest paid		**(8,380)**	(2,858)
Net cash generated from operating activities		**14,370**	44,124
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of associated companies		**(2,608)**	(3,775)
Purchase of property, plant and equipment	5(c)	**(1,496)**	(695)
Purchase of intangible assets	8	**(525)**	(313)
Purchase of investments		**(30,971)**	(16,275)
Maturities of Sukuk		**40**	38
Disposal of investments		**54,122**	41,186
Disposal of property, plant and equipment		**171**	172
Net cash generated from investing activities		**18,733**	20,338

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

Consolidated Statement of Cash Flows
For the Year Ended 30 September 2019
(Cont'd)

	Note	2019 RM'000	2018 RM'000
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of share capital		**9**	–
Purchase of treasury shares		**(3,691)**	(579)
Dividends paid		**(17,043)**	(16,317)
Dividends paid to a non-controlling interest		**(22,050)**	(17,885)
Decrease in hire purchase creditors	(a)	**(712)**	(1,029)
Drawdown of borrowings	(a)	**–**	328
Net cash used in financing activities		**(43,487)**	(35,482)
Net (decrease)/increase in cash and cash equivalents		**(10,384)**	28,980
Foreign exchange differences		**(2,629)**	(999)
Cash and cash equivalents at beginning of year		**57,469**	29,488
Cash and cash equivalents at end of year	22	**44,456**	57,469

(a) Reconciliation of liabilities arising from financing activities:

	Note	Hire purchase creditors (Note 27) RM'000	Borrowings (Note 28) RM'000	Total RM'000
At 1 October 2018		**1,412**	**35,004**	**36,416**
Cash Flows:				
Repayment of hire purchase creditors		**(712)**	**–**	**(712)**
Additions:				
Purchase of property, plant and equipment	5(c)	**720**	**–**	**720**
Transaction costs		**–**	**178**	**178**
At 30 September 2019		**1,420**	**35,182**	**36,602**
At 1 October 2017		2,353	34,512	36,865
Cash flows:				
Drawdown of borrowings		–	328	328
Repayment of hire purchase creditors		(1,029)	–	(1,029)
Additions:				
Purchase of properties, plant and equipment	5(c)	45	–	45
Purchase of intangible assets	8	43	–	43
Transaction costs		–	164	164
At 30 September 2018		1,412	35,004	36,416

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

STATEMENT OF CASH FLOWS

For the Year Ended 30 September 2019

	Note	2019 RM'000	2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**19,700**	6,738
Adjustments for:			
Depreciation of property, plant and equipment	5	**209**	231
Allowance for impairment of:			
- amounts due from subsidiary companies	40	**193**	8,164
Write back in allowance for impairment:			
- investment in a subsidiary company	33	**–**	(2,544)
Amortisation of intangible assets	39	**13**	13
Loss on disposal of property, plant and equipment	40	**27**	1
Loss on fair value of investments held at fair value through profit or loss		**728**	480
Unrealised loss on foreign exchange		**1,819**	3,551
Non-allowable expenses		**36**	108
Allowance for unutilised leave	36	**116**	(10)
Share options expense	36	**199**	–
Dividend income		**(24,737)**	(20,292)
Interest income		**(7,744)**	(7,097)
Income from Sukuk		**(3)**	(5)
Interest expense	41	**29**	106
Operating loss before working capital changes		**(9,415)**	(10,556)
Changes in working capital:			
(Increase)/decrease in receivables		**(30)**	104
Increase in due from subsidiary companies		**(30,520)**	(18,646)
Decrease in due to subsidiary companies		**–**	(4)
Increase in payables		**66**	139
Cash used in operations		**(39,899)**	(28,963)
Tax paid, net of tax refunded		**(466)**	(4,006)
Dividends received		**24,508**	20,184
Interest received		**2,812**	2,883
Income received from Sukuk		**4**	6
Interest paid		**(29)**	(106)
Net cash used in operating activities		**(13,070)**	(10,002)

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

Statement of Cash Flows
For the Year Ended 30 September 2019
(Cont'd)

	Note	2019 RM'000	2018 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5(c)	**(49)**	(22)
Purchase of intangible assets	8	**(1)**	(12)
Purchase of investments		**(24,467)**	(15,614)
Disposal of investments		**54,122**	41,186
Maturities of Sukuk		**40**	38
Disposal of property, plant and equipment		**60**	3
Net cash generated from investing activities		**29,705**	25,579
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of share capital		**9**	–
Purchase of treasury shares		**(3,691)**	(579)
Dividends paid		**(17,043)**	(16,317)
Decrease in hire purchase creditors	(a)	**(278)**	(295)
Net cash used in financing activities		**(21,003)**	(17,191)
Net decrease in cash and cash equivalents		**(4,368)**	(1,614)
Foreign exchange differences		**(4)**	(149)
Cash and cash equivalents at beginning of year		**7,492**	9,255
Cash and cash equivalents at end of year	22	**3,120**	7,492

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

Statement of Cash Flows
for the year ended 30 September 2019
(Cont'd)

(a) Reconciliation of liabilities arising from financing activities:

	Note	Hire purchase creditors (Note 27) RM'000	Total RM'000
At 1 October 2018		**631**	**631**
Cash Flows:			
Repayment of hire purchase creditors		**(278)**	**(278)**
Addition:			
Purchase of property, plant and equipment	5(c)	**120**	**120**
At 30 September 2019		**473**	**473**
At 1 October 2017		881	881
Cash flows:			
Repayment of hire purchase creditors		(295)	(295)
Addition:			
Purchase of properties, plant and equipment	5(c)	45	45
At 30 September 2018		631	631

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

NOTES TO THE FINANCIAL STATEMENTS
- 30 September 2019

1. CORPORATE INFORMATION

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

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

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

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

The financial statements of the Group and of the Company were authorised for issue on 13 December 2019 pursuant to a resolution by the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

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

(b) Subsidiaries, Associated Companies and Basis of Consolidation

(i) Subsidiaries

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

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

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

(ii) Basis of Consolidation

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

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(ii) Basis of Consolidation (Cont'd)

(a) Merger Method of Accounting

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

(b) Acquisition Method of Accounting

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

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

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

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

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

(c) Non-Controlling Interest

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(iii) Associated Companies

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

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

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

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

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

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

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

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

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

(c) Fair Value Measurement

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Fair Value Measurement (Cont'd)

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

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

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

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

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

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

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

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

(d) Property, Plant and Equipment and Depreciation

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

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

Freehold land and buildings and leasehold buildings are stated at revalued amounts, which are the fair values at the date of the revaluation less subsequent accumulated depreciation (except for freehold land which has an unlimited useful life and therefore is not depreciated) and any subsequent accumulated impairment losses. The Board determines the policies and procedures for both recurring and non-recurring fair value measurement. External valuers are involved for valuation of such assets. Involvement of external valuers is decided by the Board and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's and the Company's accounting policies. For this analysis, the management verifies inputs applied in the latest valuation and verified by agreeing the information in the valuation computation to contracts and other relevant documents which also includes comparison with other relevant external sources to determine if any change is reasonable. Full revaluations are performed once in every five years or earlier if the carrying values of the revalued properties are materially different from their market values.

Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same property previously recognised in income statement, in which case the increase is recognised in income statement to the extent of the decrease previously recognised.

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

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

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

The principal annual rates of depreciation are:

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

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

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

(e) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. The Board determines the policies and procedures for recurring and non-recurring fair value measurement. External valuers are involved for valuation of investment properties. Involvement of external valuers is decided by the Board and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment Properties (Cont'd)

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies inputs applied in the latest valuation and verified by agreeing the information in the valuation computation to contracts and other relevant documents which also includes comparison with other relevant external sources to determine if any change is reasonable. Full revaluations are performed once in every three years or earlier if the carrying values of the revalued properties are materially different from their market values.

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

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

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

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

(f) Intangible Assets

(i) Goodwill

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

(ii) Other Intangible Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible Assets (Cont'd)

(ii) Other Intangible Assets (Cont'd)

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

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

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

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

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

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

(g) Financial Assets

Financial Assets – Accounting policies applied from 1 October 2018

Initial Recognition and Initial Measurement

Financial assets of the Group and the Company are classified in the following measurement categories - Amortised Cost, Fair Value Through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit or Loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade and insurance receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or which the Group or the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15 "Revenue from Contracts with Customers".

Insurance receivables are measured on initial recognition at the fair value of the consideration received or receivable.

In order for a financial asset to be classified and measured at amortised cost or fair value, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Assets (Cont'd)

Financial Assets – Accounting policies applied from 1 October 2018 (Cont'd)

Subsequent Measurement

(1) Financial Assets at Amortised Cost (Debt Instruments)

The Group and the Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

(2) Financial Assets at Fair Value Through Other Comprehensive Income ("FVOCI") (Debt Instruments)

The Group and the Company measure debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in the FVOCI reserve.

Upon derecognition, the cumulative fair value change recognised in the FVOCI reserve is recycled to the income statement.

(3) Financial Assets at Fair Value Through Other Comprehensive Income ("FVOCI") (Equity Instruments)

The Group and the Company may elect to designate an equity instrument as FVOCI. Such designation is determined on an instrument by instrument basis. It is also the Group's and Company's policy to elect to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns.

When such election is used, fair value gains or losses are recognised in the FVOCI reserve and are not subsequently recycled to the income statement including upon derecognition.

Dividends from financial assets at FVOCI are recognised in the income statement when the right of payment has been established, except when the Group or the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in FVOCI reserve.

Upon derecognition of an equity instrument designated as FVOCI, the cumulative gain or loss previously recognised in the FVOCI reserve is transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Assets (Cont'd)

Financial Assets – Accounting policies applied from 1 October 2018 (Cont'd)

Subsequent Measurement (Cont'd)

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

Financial assets at FVTPL may comprise equity instruments as well as debt instruments.

These assets include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Group and the Company may, upon initial recognition, irrevocably designate a financial asset as measured at FVTPL that otherwise meets the criteria for amortised cost or FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value of financial assets at FVTPL, dividend income and interest income are recognised in the income statement.

Gains or losses of financial assets at FVTPL are recognised in the income statement upon their derecognition.

Reclassification of Financial Assets

Reclassification of financial assets is required when, and only when, the Group and the Company change their business model for managing the assets. In such cases, the Group and the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as at FVOCI even when there is a change in business model. Such designations are irrevocable.

Financial Assets – Accounting policies applied prior to 1 October 2018

Classification and Measurement

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

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

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

Notes to the Financial Statements
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(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Assets (Cont'd)

Financial Assets – Accounting policies applied prior to 1 October 2018 (Cont'd)

Classification and Measurement (Cont'd)

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

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

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

(c) Loans and Receivables

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

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

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

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

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

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

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

(h) Regular Way Purchase or Sale of Financial Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Financial Liabilities

Financial liabilities are classified as either (a) financial liabilities at FVTPL or (b) other financial liabilities.

(a) Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

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

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

(b) Other Financial Liabilities

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

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

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

(j) Impairment

(i) Financial Asset

Accounting policies applied from 1 October 2018

The Group and the Company recognises allowance for impairment for expected credit loss ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVOCI.

Overview of ECL

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Both 12-month ECL and lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Financial assets other than insurance receivables

The Group and the Company have adopted a simplified approach when measuring the ECL for financial assets other than insurance receivables.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(i) Financial Assets (Cont'd)

Accounting policies applied from 1 October 2018 (Cont'd)

Calculation of ECL – Simplified Approach

For debt instruments, trade and other receivables measured at amortised cost, the Group and the Company apply a simplified approach in calculating ECL. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECL at each reporting date.

The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking information specific to the debtors and the economic environment. Forward looking information may include the consumer price index, base lending rate, unemployment rate, consumption growth rate and the stock exchange index.

For individual impairment assessment, the amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the Company and all the cash flows that the Group and the Company expect to receive.

Insurance Receivables

For insurance receivables, the general approach is used where the ECL is assessed using an approach which classifies the financial assets into three stages which reflects the change in credit quality of the financial asset since initial recognition:

Stage 1: 12-month ECL - not credit impaired

For financial assets which have not had a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

Stage 2: Lifetime ECL - not credit impaired

For financial assets which have had a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

Stage 3: Lifetime ECL - credit impaired

For financial assets that are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures of its insurance receivables since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL.

This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and assessments based on the Group's historical experience and credit risk assessments, including forward-looking information.

2.SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(i) Financial Assets (Cont'd)

Accounting policies applied from 1 October 2018 (Cont'd)

Measurement of ECL – General Approach

The Group uses a Loss Provision Ratio ("LPR") in the determination of the ECL of its insurance receivables. LPR is a ratio computed to estimate the percentage of outstanding insurance receivables that requires provisioning. In essence, LPR acts as a proxy for loss rate where the ratio is applied to the total outstanding insurance receivables in order to obtain the ECL.

The LPR is derived from internally developed statistical models and adjusted to reflect forward-looking information.

The components for computing the LPR include:

(i) amount of outstanding insurance receivables as at reporting date for stages 1 and 2;

(ii) present value of insurance receivables received or settled during the period under review using the effective interest rate;

(iii) forward looking macro-economic information which may comprise economic indicators and industry statistics such as the consumer price index, base lending rate, unemployment rate, consumption growth rate, and the stock exchange composite index; and

(iv) full allowance for impairment is recognised for insurance receivables that have been classified as stage 3.

Write off policy

The Group and the Company write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in income statement.

Definition of default and credit-impaired financial assets

At each reporting period, the Group and the Company assess whether financial assets are impaired. Qualitative and quantitative information are used to determine if a financial asset is credit impaired. The general presumption under MFRS 9 is that a financial asset is in default when contractual payments are more than 90 days past due. However, in certain cases, the Group and the Company may rebut such presumption where there are reasonable and supportable information available to demonstrate that forward-looking rather than past due information is more appropriate to assess the changes in credit risk.

In general, indicators that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes to the Financial Statements
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(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(i) Financial Assets (Cont'd)

Accounting policies applied prior to 1 October 2018

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

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

(a) Financial Assets Carried at Amortised Cost

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

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

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

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

(b) AFS Financial Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Impairment (Cont'd)

(ii) Non-Financial Assets

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

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

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

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

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

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

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

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

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

(k) Inventories

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

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Land Held for Development

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

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

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

(m) Reinsurance

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

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

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

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

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

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

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

(n) Insurance Receivables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Insurance Receivables (Cont'd)

Insurance receivables are assessed at each reporting date for objective evidence of impairment. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2(j)(i).

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

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand, short-term deposits with original maturity of less than 3 months, and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risks of changes in value. These cash and cash equivalents also include bank overdrafts that form an integral part of the Group's cash management. The statement of cash flow is prepared using the indirect method.

(p) Insurance Payables

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

(q) Borrowings

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

(r) Share Capital

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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

(s) Provisions

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

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Income Recognition

Revenue From Contracts with Customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group and the Company recognise revenue when (or as) they transfer control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group and the Company transfer control of a good or service at a point in time unless one of the following overtime criteria is met:

- The customer simultaneously receives and consumes the benefits provided as the Group and the Company perform.

- The Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

- The Group's and the Company's performance does not create an asset with an alternative use and the Group and the Company has an enforceable right to payment for performance completed to date.

(a) Revenue relating to sales of hardware and software are recognised at point in time when control of the goods have been transferred to the customer and upon its acceptance.

(b) Revenue from software customisation, one-off maintenance services, management and professional services are recognised at point in time upon completion of services rendered and upon its acceptance.

(c) Revenue from software subscription and contracted maintenance services are recognised over time in the period in which the services are rendered. Revenue are recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Revenue from Other Sources and Other Operating Income

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

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

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

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

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

(vi) Premium income from insurance and reinsurance contracts are recognised in the period in which the insurance risks are assumed as further described in Note 2(w)(i).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Commission Expenses and Commission Income

Gross commission expenses, which are cost directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are recognised in the income statements in the period in which they are incurred.

(v) Product Classification

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

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

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

(w) General Insurance Underwriting Results

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

(i) Premium Income

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

(ii) Insurance Contract Liabilities

Insurance contract liabilities comprise premium liabilities and claims liabilities.

Premium Liabilities

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

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

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) General Insurance Underwriting Results (Cont'd)

(ii) Insurance Contract Liabilities (Cont'd)

Insurance contract liabilities comprise premium liabilities and claims liabilities. (Cont'd)

Premium Liabilities (Cont'd)

- UPR

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

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

- URR

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

Claims Liabilities

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

(x) Liability Adequacy Test

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

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

(iii) Defined Benefit Plan

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

(iv) Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") is an equity-settled, share-based compensation plan for eligible employees and Executive Directors of the Group and the Company whereby the Group and the Company receives services from eligible employees/Executive Directors in consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statements of the Group and the Company over the vesting periods of the grant with a corresponding increase credited to share options reserve within equity.

The share options granted by the Company to eligible employees and Executive Directors of its subsidiary companies are treated as additional investment in the respective subsidiaries with the corresponding credit to the share options reserve.

At each reporting date, the Group and the Company revises the estimates of the number of share options that are expected to vest based on historical experience and statistical analysis. The Group and the Company recognises the impact of the revision of original estimates, if any, in the income statements, with a corresponding adjustment to share options reserve in equity.

When the options are exercised, new ordinary shares of the Company would be issued. The proceeds received net of any directly attributable transaction costs are credited to share capital of the Company.

When options are not exercised and are lapsed, the balance in the share options reserve is transferred to retained earnings of the Group and the Company respectively. Further details on the ESOS are disclosed in Note 38 to the financial statements.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

(iii) Foreign Operations

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(z) Foreign Currencies (Cont'd)

(iii) Foreign Operations (Cont'd)

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

(aa) Income Tax

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

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

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

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

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

(ab) Leases

(i) Classification

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

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

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

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(ab) Leases (Cont'd)

(ii) Finance Leases – the Group as Lessee

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

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

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

(iii) Operating Leases – the Group as Lessee

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

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

(iv) Operating Leases – the Group as Lessor

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

(ac) Contingent Liabilities and Contingent Assets

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

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

(ad) Offsetting of Financial Assets and Financial Liabilities

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

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Clarifications to MFRS 15 Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 – 2016 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 – 2016 Cycle)
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

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

(i) Adoption of MFRS 15 - Revenue from Contracts with Customers

MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and their related interpretations. MFRS 15 provides a principle-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group and the Company have adopted MFRS 15. The recognition of revenue that are scoped under this standard are already recognised in accordance with the principle of MFRS 15 and additional disclosures are further described in Note 32.

Notes to the Financial Statements
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(Cont'd)

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB"). (Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments

The Group and the Company adopted MFRS 9 on 1 October 2018. As permitted by MFRS 9, comparative information has not been restated and all effects have been adjusted against equity as at 1 October 2018. Accordingly, the comparative financial statements for the year ended 30 September 2018 are not comparable.

MFRS 9 replaces the guidance in MFRS 139 – Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

The key changes to the Group's and the Company's accounting policies resulting from the adoption of MFRS 9 are summarised below:

(a) Classification and measurement

MFRS 9 eliminates the existing MFRS 139 categories of financial assets classified under (i) Held-To-Maturity ("HTM"), (ii) Loans and Receivables ("L&R") and (iii) Available-For-Sales ("AFS") financial assets.

MFRS 9 contains the following three principal classification and measurement categories for financial assets:

1) Amortised Cost
2) Fair Value Through Other Comprehensive Income ("FVOCI")
3) Fair Value Through Profit or Loss ("FVTPL")

Financial assets which are held with the objective of collecting contractual cash flows that are solely payments of principal and interest are classified and measured at amortised cost.

Financial assets which are held with the objective of both collecting contractual cash flows that are solely payments of principal and interest and selling of the said financial assets are classified and measured at FVOCI.

Equity instruments that are not held for trading may irrevocably be elected at inception to be classified and measured at FVOCI.

Financial assets that are held for trading or are not measured at FVOCI or amortised cost are classified and measured at FVTPL.

The Group's and the Company's financial liabilities continue to be measured at amortised cost.

(b) Impairment

MFRS 9 requires impairment assessments to be based on an expected credit loss ("ECL") model, replacing the incurred loss model under MFRS 139 on its financial assets. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The ECL model is applied to financial assets measured at amortised cost or debt instruments at FVOCI. Financial assets that are classified as FVTPL and equity instruments that are classified as FVOCI are not subject to impairment.

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

The key changes to the Group's and the Company's accounting policies resulting from the adoption of MFRS 9 are summarised below: (Cont'd.)

(c) Hedge accounting

The Group and the Company do not have any hedge instruments, thus the hedge accounting requirements under MFRS 9 are not relevant to the Group and the Company.

Effect of initial adoption of MFRS 9

The following are the changes in the classification and measurement of the Group's and the Company's financial assets:

- Unit trusts

  Prior to 1 October 2018, unit trusts were classified as AFS financial assets. Upon adoption of MFRS 9, the Group and the Company have reclassified and measured these financial assets at FVTPL.

- Quoted shares

  Prior to 1 October 2018, quoted shares which are held for trading were classified as financial assets at FVTPL. These financial assets will continue to be classified and measured at FVTPL under MFRS 9.

- Long-term quoted investments

  Prior to 1 October 2018, quoted investments which are not held for trading were classified and measured as AFS financial assets under MFRS 139. Upon the adoption of MFRS 9, the Group and the Company have elected to designate these investments that are not held for trading to be measured at FVOCI, without any recycling of profits or loss to income statement upon disposal.

- Unquoted shares

  Prior to 1 October 2018, unquoted shares held for long term purposes were classified and measured at cost in accordance with MFRS 139. Upon adoption of MFRS 9, these financial assets are now classified and measured at fair value and designated at FVOCI, without any recycling of profits or loss to income statement upon disposal.

- Sukuk

  Prior to 1 October 2018, Sukuk were classified and measured as HTM financial assets. Upon adoption of MFRS 9, these financial assets are now classified as debts instruments at amortised cost.

- Unquoted redeemable convertible loan notes.

  Prior to 1 October 2018, unquoted redeemable convertible loan notes were classified as AFS financial assets. Upon adoption of MFRS 9, these financial assets are now classified as FVTPL.

- Loans and receivables

  Loans and receivables are now classified as financial assets at amortised cost using the effective interest method less impairment losses. Prior to 1 October 2018, the impairment of loans and receivables was based on the incurred impairment loss model. Upon the adoption of MFRS 9, the ECL model is applied to determine impairment on financial assets at amortised cost.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

Effect of initial adoption of MFRS 9 (Cont'd)

The Group applied MFRS 9 by adjusting the opening balance of equity as at 1 October 2018, of which the impacts are as follows:

		Restatements upon adoption of MFRS 9		
	30 September 2018	Classification & measurement	Expected credit losses	1 October 2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	24,106	–	–	24,106
Investment properties	1,220	–	–	1,220
Prepaid land lease payments	294	–	–	294
Intangible assets	1,921	–	–	1,921
Deferred tax assets	514	–	–	514
Investments *	164,918	–	–	164,918
Investment in associated companies	19,937	–	–	19,937
Inventories - goods for resale	508	–	–	508
Land held for development	45,416	–	–	45,416
Loans	7,967	–	–	7,967
Reinsurance assets	171,803	–	–	171,803
Insurance receivables	25,180	–	389	25,569
Trade receivables	2,450	–	–	2,450
Other receivables	74,655	–	–	74,655
Due from an associated company	3,731	–	–	3,731
Deposits and placements with financial institutions	458,515	–	–	458,515
Cash and bank balances	57,469	–	–	57,469
TOTAL ASSETS	1,060,604	–	389	1,060,993

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

Effect of initial adoption of MFRS 9 (Cont'd)

The Group applied MFRS 9 by adjusting the opening balance of equity as at 1 October 2018, of which the impacts are as follows: (Cont'd)

		Restatements upon adoption of MFRS 9		
	30 September 2018	Classification & measurement	Expected credit losses	1 October 2018
	RM'000	RM'000	RM'000	RM'000
LIABILITIES				
Insurance contract liabilities	534,128	–	–	534,128
Insurance payables	14,771	–	–	14,771
Deferred tax liabilities	3,649	–	–	3,649
Trade payables	411	–	–	411
Other payables	15,414	–	–	15,414
Hire purchase creditors	1,412	–	–	1,412
Borrowings	35,004	–	–	35,004
Dividend payable	3,432	–	–	3,432
Tax payable	3,819	–	–	3,819
TOTAL LIABILITIES	612,040	–	–	612,040
EQUITY				
Share capital	147,279	–	–	147,279
Treasury shares	(13,465)	–	–	(13,465)
Merger reserve	20,792	–	–	20,792
Translation reserve	(14,252)	–	–	(14,252)
Revaluation reserve	10,624	–	–	10,624
AFS reserve	10,329	(10,329)	–	–
FVOCI reserve	–	9,879	–	9,879
Share options reserve	–	–	–	–
Retained profits	164,130	450	198	164,778
Equity attributable to equity holders of the Company	325,437	–	198	325,635
Non-controlling interest	123,127	–	191	123,318
TOTAL EQUITY	448,564	–	389	448,953
TOTAL EQUITY AND LIABILITIES	1,060,604	–	389	1,060,993

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

Effect of initial adoption of MFRS 9 (Cont'd)

The Group applied MFRS 9 by adjusting the opening balance of equity as at 1 October 2018, of which the impacts are as follows: (Cont'd.)

* Note:

		Restatements upon adoption of MFRS 9		
	30 September 2018	Classification & measurement	Expected credit losses	1 October 2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Investments				
Financial assets at FVTPL	5,202	120,359	–	125,561
Financial assets at FVOCI	–	39,284	–	39,284
Financial assets at amortised cost	–	73	–	73
AFS investments	159,643	(159,643)	–	–
HTM investments	73	(73)	–	–
Total	164,918	–	–	164,918

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

Effect of initial adoption of MFRS 9 (Cont'd)

The Company applied MFRS 9 by adjusting the opening balance of equity as at 1 October 2018, of which the impacts are as follows:

		Restatements upon adoption of MFRS 9		
	30 September 2018	Classification & measurement	Expected credit losses	1 October 2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Property, plant and equipment	1,548	–	–	1,548
Intangible assets	66	–	–	66
Deferred tax assets	514	–	–	514
Investments *	88,675	–	–	88,675
Investment in subsidiary companies	155,222	–	–	155,222
Other receivables	1,054	–	–	1,054
Due from subsidiary companies	121,866	–	–	121,866
Cash and bank balances	7,492	–	–	7,492
TOTAL ASSETS	376,437	–	–	376,437
LIABILITIES				
Other payables	1,452	–	–	1,452
Due to subsidiary companies	45	–	–	45
Hire purchase creditors	631	–	–	631
Dividend payable	3,432	–	–	3,432
Tax payable	20	–	–	20
TOTAL LIABILITIES	5,580	–	–	5,580

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(Cont'd)

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

Effect of initial adoption of MFRS 9 (Cont'd)

The Company applied MFRS 9 by adjusting the opening balance of equity as at 1 October 2018, of which the impacts are as follows: (Cont'd.)

		Restatements upon adoption of MFRS 9		
	30 September 2018	Classification & measurement	Expected credit losses	1 October 2018
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	147,279	–	–	147,279
Treasury shares	(13,465)	–	–	(13,465)
AFS reserve	8,852	(8,852)	–	–
FVOCI reserve	–	8,629	–	8,629
Share options reserve	–	–	–	–
Retained profits	228,191	223	–	228,414
Equity attributable to equity holders of the Company	370,857	–	–	370,857
Non-controlling interest	–	–	–	–
TOTAL EQUITY	370,857	–	–	370,857
TOTAL EQUITY AND LIABILITIES	376,437	–	–	376,437

* Note:

		Restatements upon adoption of MFRS 9		
	30 September 2018	Classification & measurement	Expected credit losses	1 October 2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Investments				
Financial assets at FVTPL	2,149	30,886	–	33,035
Financial assets at FVOCI	–	20,721	–	20,721
Financial assets at amortised cost	–	34,919	–	34,919
AFS investments	51,607	(51,607)	–	–
HTM investments	34,919	(34,919)	–	–
Total	88,675	–	–	88,675

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

(a) The significant accounting policies adopted in preparing these financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Interpretation issued by the Malaysian Accounting Standards Board ("MASB").(Cont'd)

(ii) Adoption of MFRS 9 - Financial Instruments (Cont'd)

The effects of adoption of MFRS 9 on the Group's and the Company's income statement for the financial year ended 30 September 2019 is as follow:

Description of Change	Group RM'000	Company RM'000
Increase in allowance for impairment of insurance receivables	**(56)**	**–**
Decrease in gain in fair value of investments at FVTPL	**(2,725)**	**(728)**
Decrease in profit before tax	**(2,781)**	**(728)**
Taxation	**654**	**175**
Decrease in loss after tax	**(2,127)**	**(553)**
Attributable to:		
Equity holders of the Company	**(1,422)**	**(553)**
Non-controlling interest	**(705)**	**–**
	(2,127)	**(553)**
Decrease in loss per share attributable to equity holders of the Company:		
- Basic loss per share (sen)	**(0.78)**	
(Based on weighted average number of shares (net of treasury shares))		

Diluted loss per share is not disclosed for the current financial year as it is anti-dilutive.

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

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

Effective for financial periods beginning on or after 1 January 2019

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED MFRSs (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 2019 (Cont'd)

Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRSs 2015 – 2017 Cycle)
Amendments to MFRS 119	Employee Benefits - Plan Amendment, Curtailment or Settlement

Effective for financial periods beginning on or after 1 January 2020

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

Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures)

Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts

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

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 and the Company, except as disclosed below:

- **MFRS 16 Leases**

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

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

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

  The Group and the Company are currently in the process of finalising the financial impact of adopting MFRS 16.

- **MFRS 17 Insurance Contracts**

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

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

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

  MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. It will be applicable to the Group beginning from financial year ending 30 September 2022. 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 Group plans to adopt MFRS 17 on the required effective date and expects that MFRS 17 will result in an important changes to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on results and financial position together with the Group's financial statements' presentation and disclosure.

  The Group has completed the gap assessments phase of its MFRS 17 project and is expected to commence implementation activities in the upcoming financial year.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical Judgment Made in Applying Accounting Policies

The following are the judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

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

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

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

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

(ii) Classification of Associated Companies

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

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

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation and Amortisation

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

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

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

(ii) Revaluation of Property, Plant and Equipment and Investment Properties

The Group carries its freehold and leasehold land and building, and investment properties at fair value, with changes in fair value being recognised in the revaluation reserves and income statements respectively. The valuation of these properties are carried out by independent professional property valuers by reference to open market values using the comparison method as described further in Notes 5 and 6.

(iii) ESOS

Estimating fair value for ESOS requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them.

Judgment is also required in estimating the number of share options expected to vest as this involves a high degree of subjectivity.

(iv) Impairment of Non-Financial Assets

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

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

(v) Impairment of Financial Assets

Measurement of ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, gross domestic product, unemployment rates, house price index, wholesale and retail index, passenger car sales, and lending rates. Incorporating forward-looking information increases the level of judgment as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

(a) Determining criteria for significant increase in credit risk;

(b) Choosing appropriate models and assumptions for the measurement of ECL;

(c) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

(d) Establishing groups of similar financial assets for the purposes of measuring ECL.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

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

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

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

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

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

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

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

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

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

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

(vii) Deferred Tax Assets

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

(viii) Fair Value Measurement of Financial Instruments

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

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

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

(ix) Impairment of Investments in Subsidiary Companies and Associated Companies

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

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

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

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

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

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

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

(x) Impairment of Amounts Due from Subsidiary Companies and Associated Companies

The Group and the Company apply MFRS 9 to measure expected credit losses on amounts due from associated companies and subsidiary companies respectively. The measurement of expected credit losses is described in Note 4(b)(v).

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Valuation			Cost				
	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2019								
Valuation/Cost								
At 1 October 2018	2,465	921	16,705	6,726	7,098	4,684	6,322	44,921
Additions	–	–	–	79	893	800	444	2,216
Disposals	–	–	–	–	(454)	(68)	–	(522)
Write-offs	–	–	–	–	–	(5)	(92)	(97)
Translation differences	–	–	–	1	68	14	15	98
At 30 September 2019	2,465	921	16,705	6,806	7,605	5,425	6,689	46,616
Accumulated Depreciation and Impairment								
At 1 October 2018	–	31	929	6,109	3,414	4,403	5,929	20,815
Charge for the year	–	31	929	82	662	227	190	2,121
Disposals	–	–	–	–	(245)	(67)	–	(312)
Write-offs	–	–	–	–	–	(3)	(90)	(93)
Translation differences	–	–	–	4	28	22	27	81
At 30 September 2019	–	62	1,858	6,195	3,859	4,582	6,056	22,612
Net Book Value								
At 30 September 2019	2,465	859	14,847	611	3,746	843	633	24,004

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

Group	← Valuation →			← Cost →				
	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2018								
Valuation/Cost								
At 1 October 2017	2,465	921	16,705	6,828	7,164	4,618	6,320	45,021
Additions	–	–	–	26	567	118	29	740
Disposals	–	–	–	–	(623)	(6)	(3)	(632)
Write-offs	–	–	–	(123)	–	(48)	(9)	(180)
Transfer from inventories	–	–	–	–	–	9	–	9
Translation differences	–	–	–	(5)	(10)	(7)	(15)	(37)
At 30 September 2018	2,465	921	16,705	6,726	7,098	4,684	6,322	44,921
Accumulated Depreciation and Impairment								
At 1 October 2017	–	–	–	6,102	2,886	4,284	5,707	18,979
Charge for the year	–	31	929	87	720	161	233	2,161
Disposals	–	–	–	–	(196)	(1)	(3)	(200)
Write-offs	–	–	–	(82)	–	(41)	(9)	(132)
Translation differences	–	–	–	2	4	–	1	7
At 30 September 2018	–	31	929	6,109	3,414	4,403	5,929	20,815
Net Book Value								
At 30 September 2018	2,465	890	15,776	617	3,684	281	393	24,106

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

Company	Cost				
	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2019					
Cost					
At 1 October 2018	**292**	**2,098**	**138**	**487**	**3,015**
Additions	**–**	**154**	**15**	**–**	**169**
Disposal	**–**	**(177)**	**–**	**–**	**(177)**
At 30 September 2019	**292**	**2,075**	**153**	**487**	**3,007**
Accumulated Depreciation					
At 1 October 2018	**285**	**669**	**99**	**414**	**1,467**
Charge for the year	**1**	**186**	**7**	**15**	**209**
Disposal	**–**	**(90)**	**–**	**–**	**(90)**
At 30 September 2019	**286**	**765**	**106**	**429**	**1,586**
Net Book Value					
At 30 September 2019	**6**	**1,310**	**47**	**58**	**1,421**
2018					
Cost					
At 1 October 2017	297	2,044	139	485	2,965
Additions	1	59	5	2	67
Disposal	–	(5)	–	–	(5)
Write-offs	(6)	–	(6)	–	(12)
At 30 September 2018	292	2,098	138	487	3,015
Accumulated Depreciation					
At 1 October 2017	290	461	98	400	1,249
Charge for the year	1	209	7	14	231
Disposal	–	(1)	–	–	(1)
Write-offs	(6)	–	(6)	–	(12)
At 30 September 2018	285	669	99	414	1,467
Net Book Value					
At 30 September 2018	7	1,429	39	73	1,548

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

(a) Freehold land and buildings and leasehold buildings of the Group were revalued as at 30 September 2017 by Messrs. Rahim & Co., an independent professional valuer. Fair value was determined by reference to open market values using the comparison method.

A desktop valuation on freehold land and buildings of the Group was conducted by Messrs. Rahim & Co. in the current financial year ended 30 September 2019 and no adjustment to the financial statements is made as their carrying values are not materially different from their market values.

The net book values of the freehold land and buildings and leasehold buildings of the Group had the cost model been applied, compared to the revaluation model as at 30 September 2019 are as follows:

		Net Book Value			
		2019		2018	
	Note	Under Revaluation Model RM'000	Under Cost Model RM'000	Under Revaluation Model RM'000	Under Cost Model RM'000
Freehold land		**2,465**	**380**	2,465	380
Freehold buildings		**859**	**238**	890	238
Leasehold buildings		**14,847**	**5,669**	15,776	5,988
	54	**18,171**	**6,287**	19,131	6,606

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Motor vehicles	**3,284**	3,607	**1,145**	1,256

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash	**1,496**	695	**49**	22
Hire purchase	**720**	45	**120**	45
	2,216	740	**169**	67

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6. INVESTMENT PROPERTIES

	Note	Group 2019 RM'000	2018 RM'000
At fair value			
At beginning/end of the year		**1,220**	1,220
Analysed as:			
Freehold buildings		**655**	655
Leasehold buildings		**565**	565
	54	**1,220**	1,220

Investment properties were revalued as at 30 September 2017 by Messrs. Rahim & Co., an independent professional valuer. Fair value was determined by reference to open market values using the comparison method.

A desktop valuation on investment properties of the Group was conducted by Messrs. Rahim & Co. in the current financial year ended 30 September 2019 and no adjustment to the financial statements is made as their carrying values are not materially different from their market values.

The Group has assessed that the existing use of its investment properties is the most appropriate, and at its highest and best use.

7. PREPAID LAND LEASE PAYMENTS

	Note	Group 2019 RM'000	2018 RM'000
Long term leasehold land:			
At 1 October 2018/2017		**294**	298
Amortisation	39	**(4)**	(4)
At 30 September		**290**	294

8. INTANGIBLE ASSETS

Group	Note	Club Membership RM'000	Computer Software and Other Licences RM'000	Total RM'000
2019				
Cost				
At 1 October 2018		549	5,872	6,421
Additions		–	525	525
Write-offs		–	(2)	(2)
Translation differences		11	8	19
At 30 September 2019		560	6,403	6,963
Accumulated Amortisation and Impairment				
At 1 October 2018		194	4,306	4,500
Amortisation	39	11	550	561
Impairment		25	–	25
Write-offs		–	–	–
Translation differences		2	8	10
At 30 September 2019		232	4,864	5,096
Net Book Value				
At 30 September 2019		328	1,539	1,867

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8. INTANGIBLE ASSETS (CONT'D)

Group	Note	Club Membership RM'000	Computer Software and Other Licences RM'000	Total RM'000
2018				
Cost				
At 1 October 2017		548	5,541	6,089
Additions		–	356	356
Write-offs		–	(25)	(25)
Translation differences		1	–	1
At 30 September 2018		549	5,872	6,421
Accumulated Amortisation and Impairment				
At 1 October 2017		164	3,838	4,002
Amortisation	39	11	470	481
Impairment		19	–	19
Write-offs		–	(3)	(3)
Translation differences		–	1	1
At 30 September 2018		194	4,306	4,500
Net Book Value				
At 30 September 2018		355	1,566	1,921

During the year, the Group acquired intangible assets by:

	Group	
	2019 RM'000	2018 RM'000
Cash	**525**	313
Hire purchase	**–**	43
	525	356

8. INTANGIBLE ASSETS (CONT'D)

Company	Note	Computer Software and Other Licences RM'000
2019		
Cost		
At 1 October 2018		**228**
Additions		**1**
At 30 September 2019		**229**
Accumulated Amortisation		
At 1 October 2018		**162**
Amortisation	39	**13**
At 30 September 2019		**175**
Net Book Value		
At 30 September 2019		**54**
2018		
Cost		
At 1 October 2017		216
Additions		12
At 30 September 2018		228
Accumulated Amortisation		
At 1 October 2017		149
Amortisation	39	13
At 30 September 2018		162
Net Book Value		
At 30 September 2018		66

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9. DEFERRED TAX (LIABILITIES)/ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 October 2018/2017		**(3,135)**	(3,928)	**514**	776
Transferred (from)/to income statement	49	**43**	(261)	**(4)**	(262)
- deferred tax assets		**(7)**	(290)	**(5)**	(254)
- deferred tax liabilities		**50**	29	**1**	(8)
Transferred to AFS reserve	51	**–**	1,054	**–**	–
- deferred tax assets		**–**	–	**–**	–
- deferred tax liabilities		**–**	1,054	**–**	–
Transferred to FVOCI reserve	51	**524**	–	**–**	–
- deferred tax assets		**–**	–	**–**	–
- deferred tax liabilities		**524**	–	**–**	–
At 30 September		**(2,568)**	(3,135)	**510**	514

Reflected after offsetting in the statements of financial position as follows:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deferred tax assets	**510**	514	**510**	514
Deferred tax liabilities	**(3,078)**	(3,649)	**–**	–
Net deferred tax (liabilities)/assets	**(2,568)**	(3,135)	**510**	514

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

	Note	Group 2019 RM'000	Group 2018 RM'000
Deferred tax assets	9.1	**2,502**	2,509
Deferred tax liabilities	9.2	**(5,070)**	(5,644)
		(2,568)	(3,135)

	Note	Company 2019 RM'000	Company 2018 RM'000
Deferred tax assets	9.3	**589**	594
Deferred tax liabilities	9.4	**(79)**	(80)
		510	514

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

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

9.1 Deferred Tax Assets of the Group:

2019	Premium Liabilities RM'000	Revaluation Deficit RM'000	Changes in Fair Value of FVOCI Financial Assets RM'000	Accumulated Impairment Loss RM'000	Unabsorbed Capital Allowances RM'000	Total RM'000
At 1 October 2018 (as previously stated)	2	30	–	1,883	594	2,509
Effects of adopting MFRS 9	–	–	1,883	(1,883)	–	–
At 1 October 2018 (as restated)	2	30	1,883	–	594	2,509
Recognised in the income statement/comprehensive income	(2)	–	–	–	(5)	(7)
At 30 September 2019	–	30	1,883	–	589	2,502

2018	Premium Liabilities RM'000	Revaluation Deficit RM'000	Accumulated Impairment Loss RM'000	Unabsorbed Capital Allowances RM'000	Total RM'000
At 1 October 2017	–	30	1,921	848	2,799
Recognised in the income statement/comprehensive income	2	–	(38)	(254)	(290)
At 30 September 2018	2	30	1,883	594	2,509

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

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

9.2 Deferred Tax Liabilities of the Group:

2019	Premium Liabilities RM'000	Changes in Fair Value of AFS Financial Assets RM'000	Changes in Fair Value of FVOCI Financial Assets RM'000	Revaluation Surplus RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 October 2018 (as previously stated)	–	(1,278)	–	(3,890)	(476)	(5,644)
Effects of adopting MFRS 9	–	1,278	(1,278)	–	–	–
At 1 October 2018 (as restated)	–	–	(1,278)	(3,890)	(476)	(5,644)
Recognised in the income statement/comprehensive income	–	–	–	–	50	50
Recognised in FVOCI reserve	–	–	524	–	–	524
At 30 September 2019	–	–	(754)	(3,890)	(426)	(5,070)

2018	Premium Liabilities RM'000	Changes in Fair Value of AFS Financial Assets RM'000	Revaluation Surplus RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 October 2017	(18)	(2,332)	(3,890)	(487)	(6,727)
Recognised in the income statement	18	–	–	11	29
Recognised in comprehensive income	–	1,054	–	–	1,054
At 30 September 2018	–	(1,278)	(3,890)	(476)	(5,644)

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

9.3 Deferred Tax Assets of the Company:

	Unabsorbed Capital Allowances RM'000	Total RM'000
2019		
At 1 October 2018	594	594
Recognised in the income statement	(5)	(5)
At 30 September 2019	589	589
2018		
At 1 October 2017	848	848
Recognised in the income statement	(254)	(254)
At 30 September 2018	594	594

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

The components and movements of deferred tax assets and deferred tax liabilities during current and previous financial year prior to offsetting are as follows: (Cont'd)

9.4 Deferred Tax Liabilities of the Company:

	Accelerated Capital Allowances RM'000	Total RM'000
2019		
At 1 October 2018	**(80)**	**(80)**
Recognised in the income statement	**1**	**1**
At 30 September 2019	**(79)**	**(79)**
2018		
At 1 October 2017	(72)	(72)
Recognised in the income statement	(8)	(8)
At 30 September 2018	(80)	(80)

As at 30 September 2019, net deferred tax assets have not been recognised in respect of the following temporary differences of the Group:

	Group	
	2019 RM'000	2018 RM'000
Depreciation and capital allowances on property, plant and equipment	**(1,320)**	(878)
Unutilised tax losses	**115,336**	109,867
Other deductible temporary differences	**(3,126)**	(2,434)
	110,890	106,555

The unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses. The unutilised tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment (i.e. from years of assessment 2019 to 2025) and any balance of the unutilised losses thereafter shall be disregarded.

However, for any unutilised tax losses that originated from the year of assessment 2019 onwards, these are allowed to be carried forward for a maximum period of 7 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

The foreign unutilised losses applicable to foreign incorporated subsidiary companies are pre-determined by and subject to the tax legislation of the respective countries.

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10. INVESTMENTS

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Financial assets at FVOCI					
Quoted shares		**28,465**	–	**16,481**	–
Unquoted shares		**5,605**	–	**–**	–
Corporate debt securities		**20,042**	–	**–**	–
	54	**54,112**	–	**16,481**	–
(b) Financial assets at FVTPL					
Quoted shares		**3,425**	5,202	**1,617**	2,149
Unquoted redeemable convertible loan notes		**6,299**	–	**–**	–
Unit trusts		**181,627**	–	**1,228**	–
	54	**191,351**	5,202	**2,845**	2,149
(c) Financial assets at amortised cost					
Subordinated Notes #		**–**	–	**34,885**	–
Sukuk		**33**	–	**33**	–
		33	–	**34,918**	–
(d) Available-for-sale ("AFS") financial assets:					
At fair value					
Quoted shares		**–**	34,931	**–**	20,721
Unit trusts		**–**	119,698	**–**	30,886
Unquoted shares		**–**	4,353	**–**	–
Unquoted redeemable convertible loan notes		**–**	661	**–**	–
	54	**–**	159,643	**–**	51,607

10. INVESTMENTS (CONT'D)

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(e) Held-to-maturity ("HTM") investments:					
At amortised cost: *					
Subordinated Notes #		–	–	–	34,846
Sukuk		–	73	–	73
		–	73	–	34,919
Total investments		**245,496**	164,918	**54,244**	88,675
* **At fair value:**					
Subordinated Notes		–	–	–	34,846
Sukuk		**33**	73	–	73

\# The Company's investments in Subordinated Notes ("Sub Notes") of RM34,885,000 (2018: RM34,846,000) are in respect of Sub Notes issued by its insurance subsidiary company. The Sub Notes were issued for a period of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

The carrying values of investments as at 30 September 2019 are as follows:

	Note	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	AFS financial assets RM'000	HTM investments RM'000	Total RM'000
Group							
At 1 October 2018 (as previously stated)		–	5,202	–	159,643	73	164,918
Effects of adopting MFRS 9		39,284	120,359	73	(159,643)	(73)	–
At 1 October 2018 (as restated)		39,284	125,561	73	–	–	164,918
Additions		21,253	68,514	–	–	–	89,767
Maturities		–	–	(40)	–	–	(40)
Fair value loss recorded in other comprehensive income	51	(6,425)	–	–	–	–	(6,425)
Fair value loss recorded in income statements	40	–	(2,725)	–	–	–	(2,725)
Accretion of discount		–	1	–	–	–	1
At 30 September 2019		54,112	191,351	33	–	–	245,496

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10. INVESTMENTS (CONT'D)

The carrying values of investments as at 30 September 2019 are as follows: (Cont'd)

	Note	Financial assets at FVOCI RM'000	Financial assets at FVTPL RM'000	Financial assets at amortised cost RM'000	AFS financial assets RM'000	HTM investments RM'000	Total RM'000
Company							
At 1 October 2018 (as previously stated)		–	2,149	–	51,607	34,919	88,675
Effects of adopting MFRS 9		20,721	30,886	34,919	(51,607)	(34,919)	–
At 1 October 2018 (as restated)		20,721	33,035	34,919	–	–	88,675
Disposals		–	(29,462)	–	–	–	(29,462)
Maturities		–	–	(40)	–	–	(40)
Fair value loss recorded in other comprehensive income	51	(4,240)	–	–	–	–	(4,240)
Fair value loss recorded in income statements	40	–	(728)	–	–	–	(728)
Accretion of discount		–	–	39	–	–	39
At 30 September 2019		16,481	2,845	34,918	–	–	54,244

The carrying values of investments as at 30 September 2018 are as follows:

	Note	AFS financial assets RM'000	Financial assets at FVTPL RM'000	HTM investments RM'000	Total RM'000
Group					
At 1 October 2017		172,352	6,836	111	179,299
Additions		219,289	–	–	219,289
Disposals		(226,872)	–	–	(226,872)
Maturities		–	–	(38)	(38)
Fair value loss recorded in other comprehensive income	51	(5,406)	–	–	(5,406)
Fair value loss recorded in income statements	40	–	(1,590)	–	(1,590)
Translation differences		280	(44)	–	236
At 30 September 2018		159,643	5,202	73	164,918

10. INVESTMENTS (CONT'D)

The carrying values of investments as at 30 September 2018 are as follows: (Cont'd)

	Note	AFS financial assets RM'000	Financial assets at FVTPL RM'000	HTM investments RM'000	Total RM'000
Company					
At 1 October 2017		78,193	2,629	34,920	115,742
Additions		15,614	–	–	15,614
Disposals		(41,186)	–	–	(41,186)
Maturities		–	–	(38)	(38)
Fair value loss recorded in other comprehensive income	51	(1,014)	–	–	(1,014)
Fair value loss recorded in income statements	40	–	(480)	–	(480)
Accretion of discount		–	–	37	37
At 30 September 2018		51,607	2,149	34,919	88,675

11. INVESTMENT IN SUBSIDIARY COMPANIES

	Note	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares - at cost		**161,847**	161,847
Additional equity contribution - ESOS Share Options	38	**848**	–
Impairment losses		**(6,625)**	(6,625)
		156,070	155,222

The subsidiary companies are as follows:

	Effective Interests 2019 %	Effective Interests 2018 %	Principal Activities
Incorporated in Malaysia			
Pacific & Orient Insurance Co. Berhad	**51**	51	General insurance business
P & O Global Technologies Sdn. Bhd.	**100**	100	Dealing in computer hardware, software and systems
P & O Technologies Sdn. Bhd.	**100**	100	Provision of information technology services and sale of information technology equipment
Pacific & Orient Distribution Sdn. Bhd.	**100**	100	Investing in start-up companies

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11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

The subsidiary companies are as follows: (Cont'd)

	Effective Interests 2019 %	2018 %	Principal Activities
Incorporated in Malaysia			
P & O Capital Sdn. Bhd.	**100**	100	Money lending
P & O Resources Sdn. Bhd.	**100**	100	Dealing in computer hardware, software and systems
Dynamic Network Distributions Sdn. Bhd.	**100**	100	Dormant
P & O Nominees Services (Tempatan) Sdn. Bhd.	**100**	100	Dormant
P & O Properties Sdn. Bhd.	**100**	100	Dormant
Focus Internet Sdn. Bhd.	**100**	100	Dormant
P & O Equities Sdn. Bhd.	**100**	100	Dormant
Incorporated in England and Wales			
Pacific & Orient Properties Ltd.*	**100**	100	Investing in real estate market and start-up companies
Incorporated in the United States of America			
P & O Global Technologies, Inc. ("POGT Inc.") **	**100**	100	Property development, information technology services, research and development and trading activities.
Subsidiary company of P & O Global Technologies Sdn. Bhd. - Incorporated in Thailand			
P & O Global Technologies (Thailand) Co., Ltd. ("POGT Thai") **	**100**	100	Dealing in computer software and systems

The above subsidiary companies are audited by Ernst & Young (Malaysia) except for the following:

* Ernst & Young LLP are the auditors of Pacific & Orient Properties Ltd.
** POGT Inc. and POGT Thai

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

	2019	2018
Portion of equity interest held by a non-controlling interest:		
Non-controlling interest percentage of ownership interest and voting interest in Pacific & Orient Insurance Co. Berhad	**49%**	49%
Gross carrying amount of non-controlling interest (RM'000)	**108,187**	123,127
Inter-company eliminations - Share options vested under ESOS (RM'000)	**(270)**	–
Net carrying amount of non-controlling interest (RM'000)	**107,917**	123,127

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

(a) Summarised statement of financial position

	2019 RM'000	2018 RM'000
Total assets	**833,059**	886,605
Total liabilities	**(612,269)**	(635,324)
Total equity	**220,790**	251,281

(b) Summarised income statement

	2019 RM'000	2018 RM'000
Revenue	**309,436**	302,373
Net profit for the year	**15,230**	27,618
Net profit for the year attributable to:		
Equity holders of the Company	**7,767**	14,085
Non-controlling interest	**7,463**	13,533
	15,230	27,618

(c) Summarised statement of comprehensive income

	2019 RM'000	2018 RM'000
Net profit for the year	**15,230**	27,618
Other comprehensive loss	**(1,661)**	(3,339)
Total comprehensive income for the year	**13,569**	24,279
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**6,920**	12,382
Non-controlling interest	**6,649**	11,897
	13,569	24,279
Dividends paid to non-controlling interest	**22,050**	17,885

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11. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

(d) Summarised statement of cash flows

	2019 RM'000	2018 RM'000
Net cash generated from/(used in):		
Operating activities	**26,129**	72,847
Investing activities	**(631)**	(251)
Financing activities	**(45,181)**	(36,882)
Net (decrease)/increase in cash and cash equivalents	**(19,683)**	35,714
Cash and cash equivalents at beginning of year	**38,300**	2,586
Cash and cash equivalents at end of year	**18,617**	38,300

12. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares outside Malaysia - at cost	**36,230**	40,334
Translation difference	**(3,066)**	(1,739)
Group's share of losses of associated companies	**(12,576)**	(10,829)
	20,588	27,766
Allowance for impairment *	**(2,060)**	(7,829)
	18,528	19,937

* The movement in allowance for impairment is as follows:

	Group	
	2019 RM'000	2018 RM'000
As at 1 October 2018	**7,829**	5,536
Addition	**–**	2,293
Write-off	**(5,769)**	–
As at 30 September 2019	**2,060**	7,829

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

	Group	
	2019 RM'000	2018 RM'000
Share of loss for the year	**(4,067)**	(3,846)
Share of total comprehensive loss for the year	**(4,067)**	(3,846)

12. INVESTMENT IN ASSOCIATED COMPANIES (CONT'D)

Details of the associated companies are as follows:

	Effective Interests 2019 %	Effective Interests 2018 %	Principal Activities
Incorporated in Singapore			
Associated company of Pacific & Orient Distribution Sdn. Bhd.			
Hiringboss Holdings Pte. Ltd.**	**16.72**	16.72	Engaged in the business of information technology and computer services activities
Incorporated in England and Wales			
Associated companies of Pacific & Orient Properties Ltd.			
Cloudbanter Ltd.**	**23.55**	21.53	Development of software
Cross-Flow Energy Ltd.**	**26.65**	22.91	Development of wind turbines
Silicon Markets Ltd.**	**28.12**	27.20	Provision of algorithmic trading tools and services
Massive Analytics Ltd.**	**11.65**	14.63	Provision of machine learning and predictive analytics solutions
Acumentive Ltd.**	**17.10**	17.10	Provision of real-time asset tracking and management solutions

** These associated companies are not audited by Ernst & Young.

Although the Group holds less than 20% of the voting power in some of these companies, these companies are considered to be associated companies because of the significant influence the Group is able to exercise over their financial and operating policy decisions. The judgments applied in determining whether these entities meet the definition of associated companies are disclosed in Note 4(a)(ii).

13. INVENTORIES – GOODS FOR RESALE

	Group 2019 RM'000	Group 2018 RM'000
Inventories - at cost	**552**	508
Allowance for inventory obsolescence	**–**	–
	552	508

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14. LAND HELD FOR DEVELOPMENT

	Group	
	2019 RM'000	2018 RM'000
Cost:		
Freehold land	**29,442**	29,442
Translation difference	**4,746**	4,916
Direct expenditure	**13,157**	11,058
At 30 September	**47,345**	45,416

Land held for development is held by the Company's subsidiary, P & O Global Technologies, Inc., and is currently in the process of obtaining the relevant approvals to proceed with development activities thereon.

15. LOANS

	Group	
	2019 RM'000	2018 RM'000
Loans:		
- secured loans [1]	**2,050**	7,835
- unsecured loans	**105**	132
	2,155	7,967
Due within one year	**2,079**	7,832
Due after one year	**76**	135
	2,155	7,967

The interest rates on loans were between 9.50% and 12.00% (2018: 6.80% and 12.00%) per annum.

[1] The loans are secured by way of shares and land and building, pledged by the respective borrowers.

16. REINSURANCE ASSETS

		Group	
	Note	2019 RM'000	2018 RM'000
Reinsurance of insurance contracts			
Claims liabilities	23.1	**130,564**	134,956
Premium liabilities	23.2	**31,377**	36,847
		161,941	171,803

17. INSURANCE RECEIVABLES

	Note	Group 2019 RM'000	2018 RM'000
Outstanding premiums including agents', brokers' and co-insurers' balances	17.1	**4,193**	5,203
Due from reinsurers and ceding companies	17.2	**21,841**	21,552
		26,034	26,755
Allowance for impairment		**(1,242)**	(1,575)
		24,792	25,180

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

	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
17.1 Outstanding premiums including agents', brokers' and co-insurers' balances			
2019			
Premiums receivable	**6,232**	**–**	**6,232**
Commissions payable	**–**	**(2,678)**	**(2,678)**
Claims recoveries	**639**	**–**	**639**
	6,871	**(2,678)**	**4,193**
2018			
Premiums receivable	7,801	–	7,801
Commissions payable	–	(3,237)	(3,237)
Claims recoveries	639	–	639
	8,440	(3,237)	5,203

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17. INSURANCE RECEIVABLES (CONT'D)

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

	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
17.2 Due from reinsurers and ceding companies			
2019			
Premiums receivable	**589**	**–**	**589**
Commissions receivable	**15,014**	**–**	**15,014**
Claims recoveries	**6,238**	**–**	**6,238**
	21,841	**–**	**21,841**
2018			
Premiums receivable	1,465	–	1,465
Commissions receivable	7,873	–	7,873
Claims recoveries	12,214	–	12,214
	21,552	–	21,552

18. RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade receivables:					
Trade receivables		**4,487**	4,060	**–**	–
Allowance for impairment	56(a)	**(2,092)**	(1,610)	**–**	–
		2,395	2,450	**–**	–
Other receivables:					
Accrued income		**4,732**	6,719	**701**	704
Share of net assets held by Malaysian Motor Insurance Pool ("MMIP") [1]		**53,890**	56,598	**–**	–
Deposits and prepayments		**4,980**	3,804	**79**	75
Tax recoverable		**1,708**	2,026	**–**	–
Claims recoverable from co-insurers		**282**	206	**–**	–
Goods and Services Tax recoverable		**514**	1,106	**1**	1
Withholding tax recoverable		**1,012**	857	**–**	–
Unbilled receivables		**1,564**	1,838	**–**	–
Others		**3,490**	1,501	**7**	274
		72,172	74,655	**788**	1,054

18. RECEIVABLES (CONT'D)

(1) As a participating member of MMIP, the Group shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Group accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Group's share of the Pool's net assets, before insurance contract liabilities.

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

19. DUE FROM SUBSIDIARY COMPANIES

The amounts due from subsidiary companies are repayable in accordance with applicable terms, unsecured and interest-free, except for an amount of RM130,659,000 (2018: RM105,118,000) which bore interest between 4.75% and 10.25% (2018: 4.75% and 10.25%) per annum.

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

Company

2019	**Gross RM'000**	**Impairment RM'000**	**Net RM'000**
Ringgit Malaysia	**44,273**	**(22,968)**	**21,305**
United States Dollar	**88,484**	**(19,527)**	**68,957**
Thai Baht	**9,468**	**–**	**9,468**
Great Britain Pound	**71,935**	**(16,390)**	**55,545**
	214,160	**(58,885)**	**155,275**

2018			
Ringgit Malaysia	41,774	(22,945)	18,829
United States Dollar	73,336	(19,527)	53,809
Thai Baht	8,107	–	8,107
Great Britain Pound	57,341	(16,220)	41,121
	180,558	(58,692)	121,866

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

20. DUE FROM AN ASSOCIATED COMPANY

The currency exposure profile of the amount due from an associated company is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Great Britain Pound	**6,744**	3,731

The amount due from an associated company is repayable in accordance with applicable terms, unsecured and interest-free.

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21. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group	
	2019 RM'000	2018 RM'000
Licensed banks	**332,267**	458,515

Deposits and placements with financial institutions of the Group with maturities of more than three months are disclosed as deposit and placements with financial institutions. Deposits and placements with original maturities of less than three months are disclosed as cash and bank balances under Note 22.

Deposits and placements with financial institutions of RM1,579,000 (2018: RM1,543,000) of the Group have been pledged as securities for credit facilities granted to the Group as disclosed in Note 28(a) and (b).

Included in deposits and placements of the Group is an amount of RM105,000 (2018: RM102,000) representing placements of deposits received from insureds as collateral for bond guarantees granted by the insurance subsidiary company to third parties.

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

	Group	
	2019 %	2018 %
Licensed banks	**2.95 - 4.35**	1.00 – 4.35

22. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**17,166**	11,709	**860**	640
Short-term deposits and placements with financial institutions (with original maturity period of less than three months)	**27,290**	45,760	**2,260**	6,852
	44,456	57,469	**3,120**	7,492

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Licensed banks	**0 – 3.92**	0 – 4.03	**0 – 3.90**	0 – 1.17

23. INSURANCE CONTRACT LIABILITIES

	2019			2018		
	Gross RM'000	Reinsurance RM'000 (Note 16)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 16)	Net RM'000
Group						
General insurance	**515,060**	**(161,941)**	**353,119**	534,128	(171,803)	362,325

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

		2019			2018		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group							
Provision for claims reported by policyholders		**248,928**	**(88,379)**	**160,549**	255,486	(85,249)	170,237
Provision for Incurred But Not Reported ("IBNR") claims		**117,188**	**(31,990)**	**85,198**	127,628	(37,978)	89,650
Provision of Risk Margin for Adverse Deviation ("PRAD")		**29,348**	**(10,195)**	**19,153**	30,344	(11,729)	18,615
Claims liabilities	23.1	**395,464**	**(130,564)**	**264,900**	413,458	(134,956)	278,502
Premium liabilities	23.2	**119,596**	**(31,377)**	**88,219**	120,670	(36,847)	83,823
		515,060	**(161,941)**	**353,119**	534,128	(171,803)	362,325

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23. INSURANCE CONTRACT LIABILITIES (CONT'D)

23.1 CLAIMS LIABILITIES

	2019			2018		
	Gross RM'000	Reinsurance RM'000 (Note 16)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 16)	Net RM'000
Group						
At 1 October 2018/2017	**413,458**	**(134,956)**	**278,502**	490,140	(163,006)	327,134
Claims incurred for the current accident year (direct and facultative)	**158,856**	**(45,100)**	**113,756**	153,689	(49,590)	104,099
Adjustment to claims incurred in prior accident years (direct and facultative)	**(13,199)**	**(4,192)**	**(17,391)**	(24,207)	3,534	(20,673)
Claims incurred during the year (treaty inwards claims)	**50**	**–**	**50**	(1,168)	987	(181)
Movement in PRAD of claims liabilities at 75% confidence level	**(996)**	**1,533**	**537**	(5,943)	2,757	(3,186)
Movement in claims handling expenses	**1,040**	**–**	**1,040**	(309)	1,788	1,479
Claims paid during the year	**(163,745)**	**52,151**	**(111,594)**	(198,744)	68,574	(130,170)
At 30 September	**395,464**	**(130,564)**	**264,900**	413,458	(134,956)	278,502

23.2 PREMIUM LIABILITIES

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
At 1 October 2018/2017	**120,670**	**(36,847)**	**83,823**	120,977	(37,410)	83,567
(Decrease)/increase in premium liabilities:						
- Premium written during the year	**280,953**	**(102,169)**	**178,784**	275,285	(106,285)	169,000
- Premium earned during the year	**(282,027)**	**107,639**	**(174,388)**	(275,592)	106,848	(168,744)
	(1,074)	**5,470**	**4,396**	(307)	563	256
At 30 September	**119,596**	**(31,377)**	**88,219**	120,670	(36,847)	83,823

24. INSURANCE PAYABLES

	Note	Group 2019 RM'000	2018 RM'000
Due to reinsurers and ceding companies	24.1	**12,585**	11,821
Due to agents, brokers, co-insurers and insureds	24.2	**2,108**	2,950
		14,693	14,771

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

	Gross carrying amount RM'000	Gross amount offset RM'000	Net carrying presented RM'000
24.1 Due to reinsurers and ceding companies			
2019			
Premiums ceded	**22,860**	**–**	**22,860**
Commissions receivable	**–**	**(2,874)**	**(2,874)**
Claims recoveries	**–**	**(7,401)**	**(7,401)**
	22,860	**(10,275)**	**12,585**
2018			
Premiums ceded	20,878	–	20,878
Commissions receivable	–	(2,760)	(2,760)
Claims recoveries	–	(6,297)	(6,297)
	20,878	(9,057)	11,821
24.2 Due to agents, brokers, co-insurers and insureds			
2019			
Premiums ceded	**3,304**	**–**	**3,304**
Commissions receivable	**–**	**(1,196)**	**(1,196)**
	3,304	**(1,196)**	**2,108**
2018			
Premiums ceded	4,444	–	4,444
Commissions receivable	–	(1,494)	(1,494)
	4,444	(1,494)	2,950

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25. PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade payables:				
Refund premiums	**10**	13	**–**	–
Share of non-insurance contract liabilities held by MMIP	**1**	200	**–**	–
Others	**424**	198	**–**	–
	435	411	**–**	–
Other payables:				
Accruals	**4,997**	7,016	**856**	1,053
Allowance for unutilised leave	**1,228**	1,134	**327**	211
Collateral deposits	**101**	370	**–**	–
Stamp duty payable	**659**	690	**–**	–
Unearned income	**1,060**	1,363	**–**	–
Accrual of directors' fees	**772**	610	**380**	188
Unclaimed monies	**12**	19	**–**	–
Sales and Services Tax payable	**2,486**	1,482	**–**	–
Value Added Tax payable	**238**	123	**–**	–
Deposits received	**1,191**	670	**–**	–
Others	**2,199**	1,937	**70**	–
	14,943	15,414	**1,633**	1,452

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

26. DUE TO SUBSIDIARY COMPANIES

The amount due to subsidiary companies are repayable in accordance with applicable terms, unsecured and interest-free.

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

	Company	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	**1**	1
United States Dollar	**29**	29
Thai Baht	**17**	15
	47	45

27. HIRE PURCHASE CREDITORS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum payments are as follows:				
Not later than 1 year	**677**	723	**284**	296
Later than 1 year and not later than 2 years	**446**	509	**147**	257
Later than 2 years and not later than 5 years	**406**	301	**69**	120
Total future minimum lease payments	**1,529**	1,533	**500**	673
Less: Future finance charges	**(110)**	(121)	**(27)**	(42)
Present value of hire purchase creditors	**1,419**	1,412	**473**	631

Analysis of present value of hire purchase creditors:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Not later than 1 year	**617**	650	**267**	269
Later than 1 year and not later than 2 years	**417**	472	**141**	244
Later than 2 years and not later than 5 years	**385**	290	**65**	118
	1,419	1,412	**473**	631
Amount due within 1 year	**(617)**	(650)	**(267)**	(269)
Amount due after 1 year	**802**	762	**206**	362

The hire purchase agreements at the reporting date bear interest at between 2.41% and 10.42% (2018: 2.16% and 12.61%) per annum.

28. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured:				
Revolving credits (a)	**200**	200	**–**	–
Term loan (b)	**536**	539	**–**	–
Unsecured:				
Sub Notes (c)	**34,443**	34,265	**–**	–
	35,179	35,004	**–**	–

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28. BORROWINGS (CONT'D)

Analysis of repayment period of total borrowings are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due within 1 year	**736**	739	**–**	–
Amount due within 2 to 5 years	**34,443**	34,265	**–**	–
	35,179	35,004	**–**	–

(a) Revolving Credit Facilities

The revolving credit facilities of a subsidiary company is secured by a deposit of the said subsidiary company of RM724,000 (2018: RM701,000). The revolving credit facilities of the subsidiary company bore interest at 6.54% (2018: 6.54%) per annum.

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

(b) Term Loan

The term loan of a foreign subsidiary company is secured by a deposit of the said subsidiary company of RM855,000 (2018: RM842,000). The term loan bore interest at 4.62% (2018: 2.00%) per annum.

The term loan of the subsidiary company is due to mature on 1 April 2020.

(c) Subordinated Notes ("Sub Notes")

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

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

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by the Company as disclosed in Note 10 whilst the remaining RM35,000,000 were subscribed by a third party, of which the balance payable is disclosed above.

29. SHARE CAPITAL

		Group/Company			
		Number of shares		Amount	
	Note	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid ordinary shares:					
Ordinary shares:					
At 1 October 2018/2017		**286,946**	245,954	**147,279**	147,279
Exercise of ESOS	38	**11**	–	**10**	–
Issue of new shares [1]		**–**	40,992	**–**	–
At 30 September		**286,957**	286,946	**147,289**	147,279

[1] On 29 March 2018, the Company issued 40,992,333 new ordinary shares to its existing shareholders pursuant to the bonus issue approved by the shareholders at the Annual General Meeting held on 23 February 2018.

The bonus shares were issued on the basis of 1 new ordinary share for every 6 existing ordinary shares held.

The bonus shares were listed on the Main Market of Bursa Malaysia on 30 March 2018.

(a) Treasury Shares

	Group/Company			
	Number of shares		Amount *	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
At 1 October 2018/2017	**12,272**	9,943	**13,465**	12,759
Purchased	**3,671**	663	**3,691**	706
Issue of bonus shares	**–**	1,666	**–**	–
At 30 September	**15,943**	12,272	**17,156**	13,465

* This amount includes acquisition costs of treasury shares.

The shareholders of the Company, by an ordinary resolution passed at a general meeting held on 20 February 2019 (2018: 23 February 2018), approved the renewal of the Company's plan to purchase its own ordinary shares.

During the financial year, the Company purchased 3,671,200 (2018: 663,600) of its issued and fully paid ordinary shares from the open market at an average price of RM1.01 (2018: RM1.06) per share for a consideration of RM3,690,533 (2018: RM706,569). The purchase was financed by internally generated funds. These shares are held as treasury shares in accordance with Section 127 of the Companies Act 2016.

Of the total 286,957,333 (2018: 286,946,333) issued and fully paid ordinary shares as at 30 September 2019, 15,943,393 (2018: 12,272,193) are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid after deduction of treasury shares are therefore 271,013,940 (2018: 274,674,140) ordinary shares.

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29. SHARE CAPITAL (CONT'D)

(a) Treasury Shares (Cont'd)

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

Shares purchased

Month	Price per share (RM) Lowest	Highest	Average	Number of shares purchased ('000)	Total consideration * RM'000
2019					
October 2018	**1.01**	**1.05**	**1.02**	**632**	**646**
November 2018	**1.01**	**1.03**	**1.01**	**427**	**432**
December 2018	**1.00**	**1.01**	**1.01**	**596**	**600**
January 2019	**1.00**	**1.01**	**1.01**	**424**	**426**
February 2019	**1.01**	**1.03**	**1.01**	**56**	**56**
March 2019	**1.00**	**1.02**	**1.01**	**157**	**158**
April 2019	**1.00**	**1.04**	**1.01**	**152**	**153**
May 2019	**0.99**	**1.02**	**1.00**	**493**	**491**
June 2019	**1.00**	**1.02**	**1.00**	**266**	**266**
July 2019	**0.99**	**1.01**	**1.00**	**178**	**177**
August 2019	**0.98**	**1.00**	**0.99**	**142**	**140**
September 2019	**0.98**	**0.99**	**0.98**	**148**	**146**
Total shares purchased				**3,671**	**3,691**
2018					
December 2017	1.21	1.26	1.24	35	43
March 2018	1.07	1.09	1.11	31	34
April 2018	1.06	1.08	1.08	101	110
May 2018	1.04	1.06	1.07	66	71
June 2018	1.04	1.05	1.05	73	78
July 2018	1.02	1.04	1.04	52	54
August 2018	1.03	1.04	1.05	56	59
September 2018	1.01	1.03	1.03	249	257
Total shares purchased				663	706

* This amount includes acquisition costs of treasury shares.

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

30. RESERVES (NON-DISTRIBUTABLE)

(a) Merger Reserve

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

(b) Translation Reserve

Translation reserve is in respect of exchange differences arising from translation of financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

(c) Revaluation Reserve

Revaluation reserve is in respect of increases in the fair value of freehold land and freehold and leasehold buildings classified as property, plant and equipment (Note 5 (a)).

(d) Fair Value Through Other Comprehensive Income ("FVOCI") Reserve

FVOCI reserve is in respect of unrealised gains or losses arising from changes in fair values of financial instruments classified as FVOCI in accordance with MFRS 9 which was adopted during the year, net of tax.

(e) Available-For-Sale ("AFS") Reserve

AFS reserve is in respect of unrealised gains or losses arising from changes in fair values of financial instruments previously classified as available-for-sale, net of tax.

(f) Share Options Reserve

Share options reserve represents the value of equity-settled share options granted and vested to eligible employees and Executive Directors as at 30 September 2019. This reserve is made up of the cumulative value of services received from eligible employees/Executive Directors recorded on grant of share options.

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31. DIVIDENDS

The amount of dividends paid or declared by the Company on ordinary shares are as follows:

	Group/Company Sen per share	Total amount RM'000	Date of payment
2019			
In respect of the financial year ended 30 September 2019:			
1st interim single tier dividend of 1.00 sen per share, declared on 20 December 2018	**1.00**	**2,728**	24 January 2019
2nd interim single tier dividend of 1.50 sen per share, declared on 19 February 2019	**1.50**	**4,088**	21 March 2019
3rd interim single tier dividend of 1.25 sen per share, declared on 17 April 2019	**1.25**	**3,403**	23 May 2019
4th interim single tier dividend of 1.25 sen per share, declared on 10 July 2019	**1.25**	**3,392**	15 August 2019
5th interim single tier dividend of 1.25 sen per share, declared on 25 September 2019	**1.25**	**3,388**	1 November 2019
	6.25	**16,999**	
2018			
In respect of the financial year ended 30 September 2018:			
1st interim single tier dividend of 1.00 sen per share, declared on 20 December 2017	1.00	2,360	24 January 2018
2nd interim single tier dividend of 1.50 sen per share, declared on 22 February 2018	1.50	3,540	28 March 2018
3rd interim single tier dividend of 1.25 sen per share, declared on 17 April 2018	1.25	3,440	23 May 2018
4th interim single tier dividend of 1.25 sen per share, declared on 10 July 2018	1.25	3,437	15 August 2018
5th interim single tier dividend of 1.25 sen per share, declared on 28 September 2018	1.25	3,432	1 November 2018
	6.25	16,209	

All dividends of the Company are paid on the issued ordinary shares (net of treasury shares).

32. REVENUE

Revenue of the Group represents gross earned premium and investment income (inclusive of amortisation of premiums, net of accretion of discounts) of the insurance subsidiary company, sales of goods and services, interest income on loans granted and investment income of the Company. Revenue of the Company represents interest income on advances to subsidiary companies, investment income and fees for the provision of management services.

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from other sources					
Gross earned premium	35	**282,027**	275,592	**–**	–
Gross dividends					
- shares quoted in Malaysia		**642**	228	**–**	–
- unit trusts		**4,465**	5,064	**787**	1,677
- subsidiary company		**–**	–	**23,950**	18,615
Interest income:					
- subsidiary companies		**–**	–	**7,595**	6,937
- deposits and placements with financial institutions		**13,511**	14,117	**149**	160
- loans to third parties		**459**	1,031	**–**	–
Income from Sukuk		**3**	5	**3**	5
Income from Islamic fixed deposit		**5,705**	6,553	**–**	–
Rental income from investment properties		**112**	54	**–**	–
Malaysian Motor Insurance Pool ("MMIP") investment income		**3,663**	2,276	**–**	–
Malaysian Reinsurance Berhad ("MRB") investment income		**42**	65	**–**	–
Equipment under leasing		**467**	1,249	**–**	–
Management service fees		**–**	–	**–**	–
Total revenue from other sources		**311,096**	306,234	**32,484**	27,394
Revenue from contracts with customers					
Sale of hardware, software and subscription services		**6,423**	5,876	**–**	–
Provision of software customisation and professional services		**2,846**	3,069	**–**	–
Provision of hardware and software maintenance services		**3,115**	1,966	**–**	–
Management service fees		**–**	–	**4,323**	4,413
Total revenue from contracts with customers (i)		**12,384**	10,911	**4,323**	4,413
Total revenue		**323,480**	317,145	**36,807**	31,807

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32. REVENUE (CONT'D)

(i) Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Geographical markets				
Malaysia	**1,439**	674	**2,567**	2,528
Thailand	**10,133**	9,188	**735**	939
United States of America	**812**	1,049	**1,021**	946
Total revenue from contracts with customers	**12,384**	10,911	**4,323**	4,413
Timing of revenue recognition:				
Goods transferred at a point in time	**3,550**	3,684	**4,323**	4,413
Services transferred over time	**8,834**	7,227	**–**	–
Total revenue from contracts with customers	**12,384**	10,911	**4,323**	4,413

33. OTHER OPERATING INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Commission income	**32,230**	27,184	**–**	–
Gross dividends:				
- preference shares unquoted outside Malaysia	**186**	65	**–**	–
Interest income	**619**	191	**–**	–
Income from Islamic fixed deposit	**3**	8	**–**	–
Write back in allowance for impairment:				
- investment in a subsidiary company	**–**	–	**–**	2,544
Realised gain/(loss):				
- Financial assets at FVTPL				
- Quoted shares	**723**	–	**–**	–
- Unit trusts	**(22)**	–	**–**	–
- AFS financial assets:				
- Quoted shares	**–**	778	**–**	–
Gain on foreign exchange:				
- realised	**–**	16	**–**	–
Insurance policy transfer fees	**23**	26	**–**	–
Others	**627**	344	**26**	46
	34,389	28,612	**26**	2,590

34. NET CLAIMS INCURRED

	Note	Group 2019 RM'000	2018 RM'000
Gross claims paid		**163,745**	198,744
Claims ceded to reinsurers		**(52,151)**	(68,574)
Net claims paid		**111,594**	130,170
Gross decrease in insurance contract liabilities:			
At end of year	23.1	**395,464**	413,458
At beginning of year		**413,458**	490,140
		(17,994)	(76,682)
Change in insurance contract liabilities ceded to reinsurers:			
At end of year	23.1	**(130,564)**	(134,956)
At beginning of year		**(134,956)**	(163,006)
		4,392	28,050
Net claims incurred		**97,992**	81,538

35. GROSS EARNED PREMIUM

	Note	Group 2019 RM'000	2018 RM'000
Gross premium		**280,953**	275,285
Change in premium liabilities	43	**1,074**	307
Gross earned premium	32	**282,027**	275,592

36. STAFF COSTS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Salaries, wages and bonus		**40,203**	39,525	**6,978**	6,754
Allowance for unutilised leave		**267**	(9)	**116**	(10)
Pension cost:					
- defined contribution plan		**4,152**	4,099	**856**	830
- defined benefit plan		**164**	71	**–**	–
ESOS	38	**1,046**	–	**199**	–
Staff general insurance		**1,119**	1,003	**135**	133
Staff training		**789**	690	**29**	21
Staff welfare		**826**	951	**215**	203
Other staff related expenses		**1,502**	1,175	**212**	225
		50,068	47,505	**8,740**	8,156

Included in staff costs of the Group and of the Company are executive directors' and chief executive officer's remuneration (excluding benefits-in-kind) amounting to RM4,275,000 (2018: RM4,817,000) and RM2,052,000 (2018: RM1,964,000) respectively as further disclosed in Note 37.

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37. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company					
Executive director/chief executive officer:					
Salaries and other remuneration		**1,329**	1,302	**1,329**	1,262
Bonus		**336**	371	**336**	371
ESOS		**52**	–	**52**	–
Pension cost – defined contribution plan		**215**	211	**215**	211
Benefits-in-kind		**57**	77	**57**	77
Allowance		**170**	120	**120**	120
		2,159	2,081	**2,109**	2,041
Non-Executive directors:					
Fees		**484**	338	**360**	188
Meeting allowance		**20**	–	**20**	–
Benefits-in-kind		**3**	31	**1**	26
		507	369	**381**	214
Directors of Subsidiary Companies					
Executive directors/chief executive officer:					
Salaries and other remuneration		**1,778**	1,750	**–**	–
Bonus		**–**	212	**–**	–
Gratuity		**–**	500	**–**	–
ESOS		**23**	–	**–**	–
Allowance for unutilised leave		**(14)**	(4)	**–**	–
Pension cost:					
- Defined contribution plan		**86**	110	**–**	–
- Defined benefit plan		**149**	32	**–**	–
Other short-term benefits		**151**	186	**–**	–
Benefits-in-kind		**99**	62	**–**	–
Allowances		**–**	27	**–**	–
		2,272	2,875	**–**	–

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

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Directors of Subsidiary Companies (Cont'd)					
Non-Executive directors:					
Fees		**445**	232	**–**	–
Benefits-in-kind		**5**	1	**–**	–
		450	233	**–**	–
Total		**5,388**	5,558	**2,490**	2,255
Analysis excluding benefits-in-kind:					
Total executive directors' remuneration	36	**4,275**	4,817	**2,052**	1,964
Total non-executive directors' remuneration	40	**949**	570	**380**	188
Total directors' remuneration excluding benefits-in-kind		**5,224**	5,387	**2,432**	2,152

38. EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") was approved by the shareholders at the Annual General Meeting held on 20 February 2019 and came into effect on 17 June 2019. The ESOS shall be in force for a period of five years until 16 June 2024 ("the option period").

The main features of the ESOS are as follows:

(a) The ESOS is made available to eligible employees and Executive Directors who are confirmed employees/ Executive Directors of the Group and the Company, as amended from time to time, and any re-enactment thereof;

(b) The number of options offered under the ESOS shall not exceed in aggregate 15% of the total issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any one time during the duration of the ESOS, or such percentage of the issued and paid-up share capital of the Company as may be permitted by Bursa Malaysia Securities Berhad ("Bursa Securities") from time to time during the duration of the ESOS;

(c) The exercise price under the ESOS shall be based on the five days weighted average market price of the ordinary shares of the Company immediately preceding the date of offer of the ESOS as shown in the daily official list issued by the Bursa Securities, and at the sole discretion of the ESOS Committee with either a:

(i) premium; or

(ii) discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and any other relevant authorities from time to time.

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38. EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The main features of the ESOS are as follows: (Cont'd)

(d) The maximum number of options, which may be offered to any eligible employee and Executive Director shall be at the discretion of the ESOS Committee after taking into consideration, amongst others, the eligible employee's/Executive Director's position, performance and length of service in the Group and the Company respectively, or such other matters that the ESOS Committee may in its discretion deem fit, subject to the following:

(i) not more than 50% of the options available under the ESOS shall be allocated in aggregate to Executive Directors and senior management of the Group and the Company; and

(ii) not more than 10% of the options available under the ESOS shall be allocated to any individual Executive Director or eligible employee who, either singly or collectively through persons connected with that Executive Director or eligible employee, holds 20% or more of the issued ordinary shares of the Company (excluding treasury shares, if any).

(e) An option granted under the ESOS may be exercised by the grantee upon achieving the vesting conditions set by the ESOS Committee;

(f) A grantee of the option shall not be entitled to any dividends, right or other entitlement on the option relating to his/her unexercised options; and

(g) The new ordinary shares of the Company to be allotted and issued pursuant to any exercise of an option will upon such allotment and issuance rank equally in all respects with the then existing, issued share capital of the Company.

The options granted to an eligible employee/Executive Director under the ESOS is exercisable by the said employee/Executive Director during his/her employment or directorship with the Group and upon meeting the vesting conditions of the ESOS stated as follows:

ESOS Vesting Structure

Number of Option Shares Granted	Maximum Percentage of Option Shares Exercisable by the Individual Director or Eligible Employee within each particular year of the ESOS				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 25,000	100%	–	–	–	–
25,000 to less than 100,000	33%	33%	34%	–	–
Above 100,000	20%	20%	20%	20%	20%

The share options of the Group and the Company granted under the ESOS that are still outstanding for the financial year ended 30 September 2019 is as follows:

				<---------- Number of Options ---------->				
Grant Date	Expiry Date	Exercise Price	Options Granted	Expired	Forfeited	Exercised	Outstanding as at 30 Sept 2019	Exercisable as at 30 Sept 2019
13 Sept 2019	16 June 2024	RM0.89	20,822,000	–	45,000	11,000	20,766,000	7,757,000

The fair value of share options was estimated by the Group and the Company using the Black-Scholes-Merton ("BSM") option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair values of share options granted are between RM0.085 and RM0.087 per share.

38. EMPLOYEES' SHARE OPTION SCHEME (CONT'D)

The key inputs used in the BSM model for the purposes of calculating the fair values of the options are as follows:

Share option exercise price:	RM0.89
Price of underlying share:	RM0.975
Expected life of the option:	ranges from 2 years to 5 years
Expected volatility of share price:	14.23%
Expected dividend yield:	5.55% continuously compounded rate
Risk-free interest rate:	ranges from 3.02% to 3.78%

The movements of share options reserve during the year is presented as follows:

	Note	Number of options '000	Amount RM'000
Share options reserve at 1 October 2018		–	–
Vested during the year		7,768	1,047
Exercised during the year		(11)	(1)
Share options reserve at 30 September 2019	36	7,757	1,046
Recognised as follows:			
Share options granted and vested to:			
employees of the Company (recognised in profit or loss)		1,214	200
Forfeited share options		(17)	(1)
		1,197	199
Share options granted and vested to:			
employees of subsidiaries of the Company (recognised as additional equity contribution to subsidiaries)		6,599	851
Forfeited share options		(28)	(3)
	11	6,571	848
Total share options vested during the year		7,768	1,047
Total share options exercised during the year		(11)	(1)

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39. AMORTISATION

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Amortisation of:					
- intangible assets	8	**561**	481	**13**	13
- prepaid land lease payments	7	**4**	4	**–**	–
		565	485	**13**	13

40. OTHER OPERATING EXPENSES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other operating expenses include:					
Auditors' remuneration:					
- statutory audit		**649**	579	**130**	138
- other regulatory related services		**47**	66	**6**	6
Non-executive directors' remuneration	37	**949**	570	**380**	188
Property, plant and equipment written off		**4**	48	**–**	–
Intangible assets written off		**2**	22	**–**	–
Impairment of intangible assets		**25**	19	**–**	–
Rental of office equipment		**3,357**	3,231	**306**	363
Office rental:					
- subsidiary company		**–**	–	**262**	261
- others		**2,495**	2,468	**–**	–
Loss on foreign exchange:					
- unrealised		**69**	3,704	**1,819**	3,551
- realised		**14**	–	**–**	6
Loss on disposal of property, plant and equipment		**40**	260	**27**	1
Loss on fair value of investments held as fair value through profit or loss	10	**2,725**	1,590	**728**	480
Allowance for impairment:					
- associated companies	12	**–**	2,293	**–**	–
- insurance receivables	56(a)	**56**	591	**–**	–
- trade receivables	56(a)	**613**	707	**–**	–
- amounts due from subsidiary companies [1]	56(a)	**–**	–	**193**	8,164
Write back in allowance for impairment:					
- insurance receivables	56(a)	**–**	(76)	**–**	–
- trade receivables	56(a)	**(131)**	(1,210)	**–**	–
- other receivables		**–**	(438)	**–**	–

40. OTHER OPERATING EXPENSES (CONT'D)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bad debts written off:				
- trade receivables	–	3	–	3

(1) During the year, an impairment loss of RM193,000 (2018: RM8,164,000) was recognised in respect of the subsidiary companies as their carrying amounts exceeded their recoverable amounts.

41. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense	**2,957**	3,029	**29**	106
Others	**357**	344	**351**	338
	3,314	3,373	**380**	444

42. PROFIT BEFORE TAXATION

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Determined as follows:					
Insurance subsidiary company	43	**21,298**	38,405	**–**	–
Others		**9,497**	(4,255)	**19,700**	6,738
Before consolidation		**30,795**	34,150	**19,700**	6,738
Consolidation adjustments		**(20,836)**	(13,844)	**–**	–
After consolidation		**9,959**	20,306	**19,700**	6,738
Share of losses of associated companies (net of tax)		**(4,067)**	(3,846)	**–**	–
		5,892	16,460	**19,700**	6,738

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43. PROFIT BEFORE TAXATION - INSURANCE SUBSIDIARY COMPANY

		Group	
	Note	2019 RM'000	2018 RM'000
Revenue		**309,436**	302,373
Gross premiums		**280,953**	275,285
Change in premium liabilities	35	**1,074**	307
Gross earned premiums		**282,027**	275,592
Gross premiums ceded to reinsurers		**(102,169)**	(106,285)
Change in premium liabilities ceded to reinsurers		**(5,470)**	(563)
Premiums ceded to reinsurers		**(107,639)**	(106,848)
Net earned premiums		**174,388**	168,744
Investment income	44	**27,409**	26,781
Realised gains	45	**688**	634
Commission income		**32,230**	27,184
Other operating expenses/income	48	**(1,960)**	(830)
Other income		**58,367**	53,769
Gross claims paid		**(163,745)**	(198,744)
Claims ceded to reinsurers		**52,151**	68,574
Gross decrease in insurance contract liabilities		**17,994**	76,682
Change in insurance contract liabilities ceded to reinsurers		**(4,393)**	(28,050)
Net claims incurred		**(97,993)**	(81,538)
Commission expense		**(33,149)**	(32,384)
Management expenses	46	**(74,757)**	(64,637)
Finance costs		**(5,558)**	(5,549)
Other expenses		**(113,464)**	(102,570)
Profit before taxation	42	**21,298**	38,405

44. INVESTMENT INCOME - INSURANCE SUBSIDIARY COMPANY

	Group	
	2019	**2018**
	RM'000	**RM'000**
Dividend income:		
- shares quoted in Malaysia	**642**	228
- unit trusts	**3,679**	3,386
Interest income:		
- deposits and placements with financial institutions	**13,361**	13,957
Income from Islamic fixed deposits	**5,705**	6,553
Rental income from investment properties	**317**	316
Investment income from:		
- MMIP	**3,663**	2,276
- MRB	**42**	65
	27,409	26,781

45. REALISED GAINS/(LOSSES) - INSURANCE SUBSIDIARY COMPANY

	Group	
	2019	**2018**
	RM'000	**RM'000**
Realised gains/(losses) for:		
- Financial asset at FVTPL		
- quoted shares	**723**	–
- unit trusts	**(22)**	–
- AFS financial assets:		
- quoted shares	**–**	551
- unit trusts	**–**	227
- Property, plant and equipment	**–**	(162)
- Foreign exchange	**(13)**	18
	688	634

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46. MANAGEMENT EXPENSES - INSURANCE SUBSIDIARY COMPANY

		Group	
	Note	2019 RM'000	2018 RM'000
Chief executive officers' remuneration	47	**739**	1,468
Staff salaries and bonus		**19,396**	18,393
Allowance for unutilised leave		**121**	–
Staff pension cost – defined contribution plan		**2,377**	2,340
Other staff benefits		**2,233**	2,525
Employees share option expense		**551**	–
Depreciation of property, plant and equipment		**1,246**	1,269
Auditors' remuneration:			
- statutory audit		**270**	210
- other regulatory related services		**41**	61
Amortisation:			
- prepaid land lease payments		**4**	4
- intangible assets		**444**	351
Directors' remuneration	47	**368**	392
Allowance for impairment:			
- insurance receivables		**56**	591
Write back in allowance for impairment:			
- insurance receivables		**–**	(76)
- other receivables		**–**	(438)
Rental of properties		**748**	763
Management fees to holding company		**1,232**	1,191
Call centre service charges		**635**	584
Rental of equipment		**5,575**	4,694
Printing and information system expenses		**15,899**	14,672
Business development		**12,584**	5,488
Bank charges		**17**	19
Credit card charges		**2,567**	2,779
Office administration and utilities		**1,719**	1,721
Share of MMIP expenses		**559**	633
Professional fees		**2,023**	1,878
Motor vehicle expenses		**626**	602
Travelling and transport expenses		**185**	187
Road transport department access fees		**311**	315
Goods and services tax charge		**8**	93
General insurance		**135**	129
Subscription fees		**269**	231
Levy		**421**	421
Motor assist and towing services		**782**	730
Other expenses		**616**	417
	43	**74,757**	64,637

47. DIRECTORS' AND CHIEF EXECUTIVE OFFICERS' REMUNERATION - INSURANCE SUBSIDIARY COMPANY

	Note	Group 2019 RM'000	2018 RM'000
Chief executive officers:			
- salaries		**660**	626
- bonus		**–**	212
- defined contribution plan		**79**	103
- benefits-in-kind		**37**	27
- allowances		**–**	27
- gratuity		**–**	500
		776	1,495
Total Chief executive officer's remuneration excluding benefits-in-kind	46	**739**	1,468
Executive director:			
- allowance		**50**	40
Non-executive directors:			
- fee		**318**	352
- benefits-in-kind		**7**	5
		325	357
		375	397
Total Directors' remuneration excluding benefits-in-kind	46	**368**	392

48. OTHER OPERATING INCOME/(EXPENSES) - INSURANCE SUBSIDIARY COMPANY

	Note	Group 2019 RM'000	2018 RM'000
Sundry income		**395**	221
Loss on fair value of investments at FVTPL		**(1,821)**	(440)
Property, plant and equipment written off		**(2)**	(8)
Sales and Services Tax charge		**–**	(366)
Other expenses		**(532)**	(237)
	43	**(1,960)**	(830)

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49. INCOME TAX EXPENSE

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Income tax:					
Current year's provision					
- Malaysian tax		**6,997**	10,929	**179**	245
(Over)/under provision in prior years		**(90)**	4,004[1]	**559**	3,867[1]
		6,907	14,933	**738**	4,112
Deferred tax:					
Relating to timing differences		**86**	(3)	**(8)**	(2)
(Over)/under provision in prior years		**(129)**	264	**12**	264
Transferred (from)/to deferred taxation	9	**(43)**	261	**4**	262
		6,864	15,194	**742**	4,374

[1] Included in the under provision for taxation in the prior year are additional tax assessments for years of assessment 2011 to 2017 amounted to RM3,866,000 imposed on the Company by the Inland Revenue Board.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:

	Group 2019 RM'000	Group 2018 RM'000
Profit before taxation	**5,892**	16,460
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**1,414**	3,950
Effects of different tax rates in other countries	**229**	291
Income not subject to tax	**(239)**	(2,017)
Expenses not deductible for tax purposes	**5,917**	6,360
Effects of share of losses of associated companies	**976**	923
Deferred tax asset not recognised during the year	**2,744**	2,547
(Over)/under provision of tax expense in prior years	**(90)**	4,004
(Over)/under provision of deferred tax in prior years	**(129)**	264
Consolidation adjustments	**(2,644)**	204
Utilisation of previous years' unused tax losses and unabsorbed capital allowances	**(925)**	(1,418)
Translation differences	**(389)**	86
Tax expense for the year	**6,864**	15,194

49. INCOME TAX EXPENSE (CONT'D)

	Company	
	2019 RM'000	**2018 RM'000**
Profit before taxation	**19,700**	6,738
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	**4,728**	1,617
Income not subject to tax	**(6,869)**	(6,229)
Expenses not deductible for tax purposes	**2,312**	4,855
Under provision of tax expense in prior years	**559**	3,867
Under provision of deferred tax in prior years	**12**	264
Tax expense for the year	**742**	4,374

As at 30 September 2019, the Company has unabsorbed capital allowances of approximately RM2,455,000 (2018: RM2,477,000), subject to agreement with the Inland Revenue Board, which can be used to offset future taxable profits arising from business income.

50. LOSS PER SHARE (SEN)

(a) Basic

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the financial year.

		Group	
		2019	**2018**
Net loss for the year attributable to equity holders of the Company	(RM'000)	**(8,435)**	(12,267)
Weighted average number of ordinary shares in issue	('000)	**272,259**	258,759
Basic loss per share	(sen)	**(3.10)**	(4.74)

(b) Diluted

The diluted loss per share for the current financial year is not presented as the effects of the dilutive potential ordinary shares comprising the potential exercise of the ESOS options granted during the current financial year on the basic loss per share is anti-dilutive.

The diluted loss per share for the previous financial year is not presented as there were no dilutive potential ordinary shares at the previous reporting date.

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51. OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Items that may not be reclassified to income statements in subsequent periods:					
- Fair value changes on FVOCI financial assets - equity instruments:					
- Loss in fair value changes	10	**(6,467)**	–	**(4,240)**	–
- Deferred tax		**534**	–	**–**	–
Net loss		**(5,933)**	–	**(4,240)**	–
Items that may be reclassified to income statements in subsequent periods:					
- Currency translation differences in respect of foreign operations		**(2,785)**	1,309	**–**	–
- Fair value changes on Available-for-sale ("AFS") financial assets:					
- Loss in fair value changes		**–**	(4,628)	**–**	(1,014)
- Transfer to income statement upon disposal		**–**	(778)	**–**	–
		–	(5,406)	**–**	(1,014)
- Deferred tax	9	**–**	1,054	**–**	–
Net loss		**–**	(4,352)	**–**	(1,014)
- Fair value changes on FVOCI financial assets - debt instruments:					
- Gain in fair value changes	10	**42**	–	**–**	–
		42	–	**–**	–
- Deferred tax		**(10)**	–	**–**	–
Net gain		**32**	–	**–**	–
Other comprehensive loss for the year, net of tax		**(8,686)**	(3,043)	**(4,240)**	(1,014)

52. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The following transactions with related parties were carried out under the terms and conditions negotiated with the related parties:

	Company	
	2019 RM'000	2018 RM'000
Subsidiary companies - Income:		
Dividend income	**23,950**	18,615
Interest income on loans	**4,240**	4,240
Interest income on Subordinated Notes	**2,660**	2,660
Management fee income	**–**	4,413
Subsidiary companies - Expenditure:		
Office rental	**262**	261
Rental of office equipment	**300**	349
Information technology advisory services	**1,107**	1,038

	Group	
	2019 RM'000	2018 RM'000
Substantial shareholder of the insurance subsidiary company - Expenditure:		
Product and pricing services	**228**	–
Actuarial fees	**–**	240
Specialised liability business services fees	**45**	225
	273	465
Associated company:		
Advances to an associated company by a foreign subsidiary company (Pacific & Orient Properties Ltd.)	**6,744**	3,731

Information regarding outstanding balances arising from related party transactions, subsidiary companies and an associated company as at 30 September 2019 are as disclosed in Notes 10, 19, 20 and 28(c).

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52. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Key Management Personnel Compensation

The key management personnel are defined as executive directors and chief executive officers. The remuneration of key management personnel during the financial year are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits:				
- Salaries and other remuneration	**3,107**	3,052	**1,329**	1,262
- Bonus	**336**	583	**336**	371
- Gratuity	**–**	500	**–**	–
- Allowance for unutilised leave	**(14)**	(4)	**–**	–
- Benefits-in-kind	**156**	139	**57**	77
- Allowances	**170**	147	**120**	120
- ESOS option	**75**	–	**52**	–
Post-employment benefits:				
- Pension cost:				
- defined contribution plan	**301**	321	**215**	211
- defined benefit plan	**149**	32	**–**	–
Other short-term benefits	**151**	186	**–**	–
	4,431	4,956	**2,109**	2,041

53. COMMITMENTS AND CONTINGENCIES

(a) Contingent liabilities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(i) Performance guarantees – secured	**424**	469	**–**	–
(ii) Guarantees given to financial institutions for facilities extended to subsidiary companies – secured	**–**	–	**5,370**	3,662
	424	469	**5,370**	3,662

53. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) Contingent liabilities (Cont'd)

(iii) On 10 August 2016, the Malaysia Competition Commission ("MyCC") through its powers granted under the Competition Act 2010 ("Act") commenced investigations into an alleged infringement by the Persatuan Insurans Am Malaysia ("PIAM") and its 22 members including the insurance subsidiary company (Pacific & Orient Insurance Co. Berhad) under the Section 4(2)(a) of the Act.

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

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

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

A press statement was issued by MyCC on 6 August 2019, stating that they are likely to reach its decision on its proposed financial penalties against PIAM and 22 of its members in 2020.

In the event that MyCC intends to enforce the Proposed Decision, the insurance subsidiary company and other insurers will appeal the matter to the Courts.

(b) Non-cancellable operating lease commitments

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Future minimum lease payments are as follows:				
Not later than 1 year	**5,388**	5,011	**194**	148
Later than 1 year and not later than 5 years	**5,181**	3,974	**181**	56
	10,569	8,985	**375**	204

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

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54. FAIR VALUE

(i) Fair value of financial instruments

(a) The carrying amounts of financial assets of the Group and of the Company at reporting date approximate their fair values and therefore no further disclosure is required.

(b) The carrying amounts of financial liabilities of the Group and of the Company at reporting date approximate their fair values except as set out below:

	Group		Company	
	Carrying amount RM'000	Fair Value RM'000	Carrying amount RM'000	Fair Value RM'000
2019				
Financial liabilities				
Hire purchase creditors	**1,419**	**1,494**	**473**	**526**
2018				
Financial liabilities				
Hire purchase creditors	1,412	1,543	631	708

(c) The following methods and assumptions are used to estimate the fair values of financial instruments that are carried at fair value:

(i) **Cash and bank balances, deposits and placements with financial institutions, insurance receivables/payables, trade and other receivables/payables, loans receivable and short term borrowings.**

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) **Sukuk**

The fair value of Sukuk are indicative values obtained from the secondary markets.

(iii) **Quoted Shares**

The fair value of quoted shares are determined by reference to the stock exchange quoted market bid prices at the close of the business on the reporting date.

(iv) **Unquoted Shares and Redeemable Convertible Loan Notes**

The fair value of unquoted shares and redeemable convertible loan notes are measured at fair value, being the consideration paid for the acquisition of the shares and loan notes.

(v) **Unit Trusts**

The fair value of quoted units in the unit trust funds are determined by reference to market quotations by the manager of the unit trust funds.

54. FAIR VALUE (CONT'D)

(i) Fair value of financial instruments (Cont'd)

(c) The following methods and assumptions are used to estimate the fair values of financial instruments that are carried at fair value: (Cont'd)

(vi) **Sub Notes**

The fair value of the Sub Notes are determined by the present value of the estimated future cash flows at the end of the tenure of the Sub Notes.

The carrying amount of Sub Notes approximate its fair value.

(vii) **Hire Purchase Creditors**

The fair value of hire purchase creditors is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

The carrying amounts of hire purchase creditors approximate their fair values, as disclosed above.

(d) The financial instruments which are carried at fair value are categorised into the following levels of the fair value hierarchy:

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019					
Group					
Financial assets at FVOCI					
Quoted shares		**28,465**	**–**	**–**	**28,465**
Unquoted shares		**–**	**–**	**5,605**	**5,605**
Corporate debt securities		**–**	**20,042**	**–**	**20,042**
	10(a)	**28,465**	**20,042**	**5,605**	**54,112**
Financial assets at FVTPL					
Quoted shares		**3,425**	**–**	**–**	**3,425**
Unquoted redeemable convertible loan notes		**–**	**6,299**	**–**	**6,299**
Unit trusts		**181,627**	**–**	**–**	**181,627**
	10(b)	**185,052**	**6,299**	**–**	**191,351**

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54. FAIR VALUE (CONT'D)

(i) Fair value of financial instruments (Cont'd)

(d) The financial instruments which are carried at fair value are categorised into the following levels of the fair value hierarchy: (Cont'd)

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019					
Company					
Financial assets at FVOCI					
Quoted shares		**16,481**	**–**	**–**	**16,481**
	10(a)	**16,481**	**–**	**–**	**16,481**
Financial assets at FVTPL					
Quoted shares		**1,617**	**–**	**–**	**1,617**
Unit trusts		**1,228**	**–**	**–**	**1,228**
	10(b)	**2,845**	**–**	**–**	**2,845**
2018					
Group					
AFS financial assets					
Quoted shares		34,931	–	–	34,931
Unquoted shares		–	–	4,353	4,353
Unquoted redeemable convertible loan notes		–	661	–	661
Unit trusts		119,698	–	–	119,698
	10(d)	154,629	661	4,353	159,643
Financial assets at fair value through profit or loss					
Quoted shares	10(b)	5,202	–	–	5,202

54. FAIR VALUE (CONT'D)

(i) Fair value of financial instruments (Cont'd)

(d) The financial instruments which are carried at fair value are categorised into the following levels of the fair value hierarchy: (Cont'd)

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018					
Company					
AFS financial assets					
Quoted shares		20,721	–	–	20,721
Unit trusts		30,886	–	–	30,886
	10(d)	51,607	–	–	51,607
Financial assets at fair value through profit or loss					
Quoted shares	10(b)	2,149	–	–	2,149

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current and previous financial years.

The movements from opening to closing balances of unquoted shares held at fair value is shown as part of the movement of financial assets at FVOCI in Note 10.

(ii) Fair value of property, plant and equipment and investment properties

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019					
Group					
Property, plant and equipment					
- Freehold land		–	–	**2,465**	**2,465**
- Freehold buildings		–	–	**859**	**859**
- Leasehold buildings		–	–	**14,847**	**14,847**
	5	–	–	**18,171**	**18,171**
Investment properties					
- Freehold buildings		–	–	**655**	**655**
- Leasehold buildings		–	–	**565**	**565**
	6	–	–	**1,220**	**1,220**

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54. FAIR VALUE (CONT'D)

(ii) Fair value of property, plant and equipment and investment properties (Cont'd)

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018					
Group					
Property, plant and equipment					
- Freehold land		–	–	2,465	2,465
- Freehold buildings		–	–	890	890
- Leasehold buildings		–	–	15,776	15,776
	5	–	–	19,131	19,131
Investment properties					
- Freehold buildings		–	–	655	655
- Leasehold buildings		–	–	565	565
	6	–	–	1,220	1,220

The fair value of the property, plant and equipment and investment properties of the Group are categorised as Level 3. The investment properties have been revalued based on the valuations performed by an accredited independent valuer. The valuations are based on comparison method. In arriving at the fair value of the assets, the valuer had taken into account the sales of similar properties and related market data, and established a value estimate by processes involving comparisons. In general, the properties being valued is compared with sales of similar properties that have been transacted in the open market.

The movements from opening to closing balances of the above property, plant and equipment and investment properties held at fair value is disclosed in Notes 5 and 6.

55. INSURANCE RISK

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Insurance contracts transfer risk to the Group by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events.

The Group underwrites various general insurance contracts which are mostly on an annual coverage and annual premium basis with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Group also underwrites some non-annual policies with coverage period more than one year such as Contractor's All Risks and Engineering, Bonds and Workmen Compensation.

The majority of the insurance business written by the Group is Motor and Personal Accident insurance. Other insurance business includes Fire, Contractor's All Risks and Engineering, Workmen Compensation, Professional Indemnity and other miscellaneous classes of insurance.

55. INSURANCE RISK (CONT'D)

The principal insurance risks faced by the Group include risks of actual claims and benefit payments differing from expectation, risks arising from natural disasters, risks arising from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves. For longer tail claims that take some years to settle, there is also inflation risk.

The Group's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Group seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

The Group has the following policies and processes to manage its insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on underwriting capacity and authority to individuals based on their specific expertise.

- A claims management and control system to pay claims and control claim wastage or fraud.

- Claim review policies to assess all new and ongoing claims and possible fraudulent claims are investigated to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

- The Group purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to control exposure to insurance losses, reduce volatility and optimising the Group's capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

The table below sets out the concentration of the Group's general insurance business by type of insurance products, using gross and net earned premiums:

General insurance business

	2019			2018		
	Gross earned premiums RM'000	**Reinsurance RM'000**	**Net earned premiums RM'000**	**Gross earned premiums RM'000**	**Reinsurance RM'000**	**Net earned premiums RM'000**
Group						
Motor	**212,333**	**(53,709)**	**158,624**	207,127	(53,051)	154,076
Personal Accident	**10,285**	**(828)**	**9,457**	10,721	(796)	9,925
Fire	**1,645**	**(870)**	**775**	1,576	(562)	1,014
Miscellaneous	**57,764**	**(52,232)**	**5,532**	56,168	(52,439)	3,729
	282,027	**(107,639)**	**174,388**	275,592	(106,848)	168,744

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55. INSURANCE RISK (CONT'D)

The table below sets out the concentration of the Group's insurance contract liabilities by type of insurance products:

Premium liabilities

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**105,764**	**(21,922)**	**83,842**	106,059	(27,026)	79,033
Personal Accident	**1,017**	**(137)**	**880**	1,164	(114)	1,050
Fire	**288**	**(125)**	**163**	267	(156)	111
Miscellaneous	**12,527**	**(9,193)**	**3,334**	13,180	(9,551)	3,629
	119,596	**(31,377)**	**88,219**	120,670	(36,847)	83,823

Claims liabilities

	2019			2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group						
Motor	**326,274**	**(73,135)**	**253,139**	341,391	(74,634)	266,757
Personal Accident	**4,184**	**(167)**	**4,017**	3,753	(139)	3,614
Fire	**969**	**(834)**	**135**	353	(166)	187
Miscellaneous	**64,037**	**(56,428)**	**7,609**	67,961	(60,017)	7,944
	395,464	**(130,564)**	**264,900**	413,458	(134,956)	278,502

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, discounting factors, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

55. INSURANCE RISK (CONT'D)

Sensitivities

The independent actuarial firm engaged by the Group re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contracts.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, Profit before tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity * RM'000
2019		<---------- Increase / (decrease) ---------->			
Average claim cost	+1%	**3,637**	**2,331**	**(2,331)**	**(1,771)**
Average number of claim	+1%	**3,637**	**2,331**	**(2,331)**	**(1,771)**
Average claims settlement period	decreased by 6 months	**2,324**	**1,779**	**(1,779)**	**(1,352)**
2018					
Average claim cost	+1%	3,876	2,448	(2,448)	(1,860)
Average number of claim	+1%	3,876	2,448	(2,448)	(1,860)
Average claims settlement period	decreased by 6 months	3,390	2,595	(2,595)	(1,972)

* Impact on equity reflects adjustments for tax, where applicable.

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting date, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Group believes that the estimate of total claims outstanding as of 30 September 2019 is adequate. However, the possibility of inadequacy of such balance should not be ruled out as the actual experience is likely to differ from the projected results to different degrees, depending on the level of uncertainty. This is primarily due to the nature of the reserving process and the elements of uncertainty inherent in the exercise.

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55. INSURANCE RISK (CONT'D)

Gross general insurance contract liabilities for 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		253,244	241,788	235,691	223,370	199,691	188,653	188,323	
One year later		256,276	280,037	208,308	177,210	146,915	146,399	–	
Two years later		294,416	262,636	202,198	173,470	142,800	–	–	
Three years later		286,821	259,945	197,726	164,646	–	–	–	
Four years later		289,060	259,186	194,570	–	–	–	–	
Five years later		289,843	262,912	–	–	–	–	–	
Six years later		292,684	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		292,684	262,912	194,570	164,646	142,800	146,399	188,323	
At end of accident year		(52,326)	(47,235)	(36,239)	(32,100)	(29,859)	(29,587)	(32,319)	
One year later		(136,129)	(121,759)	(91,019)	(75,007)	(71,540)	(73,453)	–	
Two years later		(197,270)	(176,978)	(134,824)	(119,145)	(100,568)	–	–	
Three years later		(242,006)	(206,667)	(164,628)	(138,007)	–	–	–	
Four years later		(258,596)	(230,058)	(176,689)	–	–	–	–	
Five years later		(274,198)	(238,147)	–	–	–	–	–	
Six years later		(279,097)	–	–	–	–	–	–	
Cumulative payments to-date		(279,097)	(238,147)	(176,689)	(138,007)	(100,568)	(73,453)	(32,319)	
Gross general insurance outstanding liability (direct and facultative)	15,184	13,587	24,765	17,881	26,639	42,232	72,946	156,004	369,238
Gross general insurance outstanding liability (treaty inward)									394
Best estimate of claims liabilities									369,632
Claims handling expenses									5,746
PRAD at 75% confidence level									30,194
Effects of discounting									(10,108)
Gross general insurance contract liabilities per statement of financial position									395,464

55. INSURANCE RISK (CONT'D)

Net general insurance contract liabilities for 2019:

Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		168,742	174,718	178,631	172,639	148,606	101,587	142,820	
One year later		174,031	207,249	152,783	120,864	99,684	96,360	–	
Two years later		196,815	183,247	148,032	116,799	95,813	–	–	
Three years later		185,345	185,003	143,827	112,338	–	–	–	
Four years later		187,613	183,740	141,592	–	–	–	–	
Five years later		188,173	186,354	–	–	–	–	–	
Six years later		188,278	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		188,278	186,354	141,592	112,338	95,813	96,360	142,820	
At end of accident year		(36,504)	(36,192)	(28,124)	(25,086)	(22,481)	(21,731)	(24,720)	
One year later		(94,298)	(89,377)	(69,408)	(56,418)	(50,029)	(50,218)	–	
Two years later		(135,787)	(129,214)	(101,677)	(84,099)	(70,628)	–	–	
Three years later		(160,090)	(152,181)	(121,227)	(96,493)	–	–	–	
Four years later		(169,940)	(165,800)	(129,265)	–	–	–	–	
Five years later		(178,552)	(170,932)	–	–	–	–	–	
Six years later		(180,773)	–	–	–	–	–	–	
Cumulative payments to-date		(180,773)	(170,932)	(129,265)	(96,493)	(70,628)	(50,218)	(24,720)	
Net general insurance outstanding liabilities (direct and facultative)	6,218	7,505	15,422	12,327	15,845	25,185	46,142	118,100	246,744
Net general insurance outstanding liability (treaty inward)									394
Best estimate of claims liabilities									247,138
Claims handling expenses									5,746
PRAD at 75% confidence level									19,799
Effects of discounting									(7,783)
Net general insurance contract liabilities per statement of financial position									264,900

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55. INSURANCE RISK (CONT'D)

Gross general insurance contract liabilities for 2018:

Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		258,790	253,244	241,788	235,691	223,370	199,691	188,653	
One year later		262,480	256,276	280,037	208,308	177,210	146,915	–	
Two years later		282,396	294,416	262,636	202,198	173,470	–	–	
Three years later		308,747	286,821	259,945	197,726	–	–	–	
Four years later		295,232	289,060	259,186	–	–	–	–	
Five years later		287,852	289,843	–	–	–	–	–	
Six years later		286,672	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		286,672	289,843	259,186	197,726	173,470	146,915	188,653	
At end of accident year		(59,518)	(52,326)	(47,235)	(36,239)	(32,100)	(29,859)	(29,587)	
One year later		(142,024)	(136,129)	(121,759)	(91,019)	(75,007)	(71,540)	–	
Two years later		(209,829)	(197,270)	(176,978)	(134,824)	(119,145)	–	–	
Three years later		(249,427)	(242,006)	(206,667)	(164,628)	–	–	–	
Four years later		(269,004)	(258,596)	(230,058)	–	–	–	–	
Five years later		(271,361)	(274,198)	–	–	–	–	–	
Six years later		(281,859)	–	–	–	–	–	–	
Cumulative payments to-date		(281,859)	(274,198)	(230,058)	(164,628)	(119,145)	(71,540)	(29,587)	
Gross general insurance outstanding liability (direct and facultative)	17,211	4,813	15,645	29,128	33,098	54,325	75,375	159,066	388,661
Gross general insurance outstanding liability (treaty inward)									393
Best estimate of claims liabilities									389,054
Claims handling expenses									4,706
PRAD at 75% confidence level									31,290
Effects of discounting									(11,592)
Gross general insurance contract liabilities per statement of financial position									413,458

55. INSURANCE RISK (CONT'D)

Net general insurance contract liabilities for 2018:

Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		168,193	168,742	174,718	178,631	172,639	148,606	101,587	
One year later		178,771	174,031	207,249	152,783	120,864	99,684	–	
Two years later		186,995	196,815	183,247	148,032	116,799	–	–	
Three years later		205,905	185,345	185,003	143,827	–	–	–	
Four years later		191,100	187,613	183,740	–	–	–	–	
Five years later		190,942	188,173	–	–	–	–	–	
Six years later		188,359	–	–	–	–	–	–	
Current estimate of cumulative claims incurred		188,359	188,173	183,740	143,827	116,799	99,684	101,587	
At end of accident year		(42,761)	(36,504)	(36,192)	(28,124)	(25,086)	(22,481)	(21,731)	
One year later		(99,449)	(94,298)	(89,377)	(69,408)	(56,418)	(50,029)	–	
Two years later		(143,610)	(135,787)	(129,214)	(101,677)	(84,099)	–	–	
Three years later		(169,660)	(160,090)	(152,181)	(121,227)	–	–	–	
Four years later		(180,600)	(169,940)	(165,800)	–	–	–	–	
Five years later		(180,317)	(178,552)	–	–	–	–	–	
Six years later		(188,607)	–	–	–	–	–	–	
Cumulative payments to-date		(188,607)	(178,552)	(165,800)	(121,227)	(84,099)	(50,029)	(21,731)	
Net general insurance outstanding liabilities (direct and facultative)	33,105	(248)	9,621	17,940	22,600	32,700	49,655	79,856	245,229
Net general insurance outstanding liability (treaty inward)									390
Best estimate of claims liabilities									245,619
Claims handling expenses									4,706
PRAD at 75% confidence level									19,313
Effects of discounting									8,864
Net general insurance contract liabilities per statement of financial position									278,502

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56. FINANCIAL RISKS

The Group is exposed to a variety of financial risks arising from their operations. The key financial risks are credit risk, liquidity risk, and market risk.

The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential exposure to adverse effects on its financial performance and positions.

The policies and processes taken by the Group to manage these risks are set out below:

(a) Credit risk

Credit risk is the risk of financial loss that may arise from the failure of intermediary or counterparties in meeting their financial and contractual obligations to the Group as and when they fall due.

The Group's primary exposure to credit risk arises through its investments in debt instruments, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts.

The Group has the following policies and processes to manage and mitigate its credit risks:

- Financial loss from an investment in debt instrument may arise from a change in the value of the investment due to a rating downgrade or default. Before acquiring a debt instrument from an issuer, an evaluation of the issuer's credit risk is undertaken by the Group. Ratings assigned by external rating agencies are also used in the evaluation to ensure optimal credit quality of the individual debt instrument concerned. The Group also has an Investment Policy which sets out the limits on which the Group may invest in each counterparty so as to ensure that there is no concentration of credit risk.

- Insurance receivables which arise mainly from premiums collected on behalf of the Group by appointed agents, brokers and other intermediaries are monitored on a day-to-day basis to ensure adherence to the Group's Credit Policy. Internal guidelines are also established to evaluate the Group's intermediaries before their appointment as well as setting credit terms/limits to the appointees concerned.

- Receivables from reinsurance contracts are monitored on a monthly basis to ensure compliance with payment terms. The Group also monitors the credit quality and financial conditions of its reinsurers on an ongoing basis to reduce the risk exposure. When selecting its reinsurers, the Group considers their relative financial security which is assessed based on public rating information, annual reports and other financial data.

- Other trade receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

The table below shows the maximum exposure to credit risk for the financial and insurance assets components on the statements of financial position:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial asset at amortised cost	**33**	–	**34,918**	–
Held-to-maturity investments	**–**	73	**–**	34,919
Loans	**2,155**	7,967	**–**	–
Reinsurance assets	**161,941**	171,803	**–**	–
Insurance receivables	**24,792**	25,180	**–**	–
Trade receivables	**2,395**	2,450	**–**	–
Other receivables	**72,172**	74,655	**788**	1,054
Due from subsidiary companies	**–**	–	**155,275**	121,866
Due from an associated company	**6,744**	3,731	**–**	–
Deposits and placements with financial institutions	**332,267**	456,972	**–**	–
Cash and bank balances	**44,456**	59,012	**3,120**	7,492
	646,955	801,843	**194,101**	165,331

Except for secured loans, the other financial and insurance assets are not secured by any collateral or credit enhancements.

The secured loans are secured by way of shares and land and buildings.

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

(i) Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying financial and insurance assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	B RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2019							
Financial asset at amortised cost	–	–	–	–	–	33	33
Loans	–	–	–	–	–	2,155	2,155
Reinsurance assets	–	47	151,047	6	3,059	7,782	161,941
Insurance receivables	–	–	20,952	62	–	3,778	24,792
Trade receivables	–	–	–	–	–	2,395	2,395
Other receivables	2,212	272	223	–	6	69,459	72,172
Due from an associated company	–	–	–	–	–	6,744	6,744
Deposits and placements with financial institutions	119,057	204,205	8,729	–	276	–	332,267
Cash and bank balances	15,542	7,155	16,704	–	4,479	576	44,456
	136,811	211,679	197,655	68	7,820	92,922	646,955

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

(i) Credit exposure by credit quality (Cont'd)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying financial and insurance assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating. (Cont'd)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Total RM'000
2018						
Held-to-maturity investments	–	–	–	–	73	73
Loans	–	–	–	–	7,967	7,967
Reinsurance assets	2,821	462	158,702	31	9,787	171,803
Insurance receivables	262	10	20,129	–	4,779	25,180
Trade receivables	–	–	–	–	2,450	2,450
Other receivables	2,919	2,055	1,310	5	68,366	74,655
Due from an associated company	–	–	–	–	3,731	3,731
Deposits and placements with financial institutions	184,106	122,097	107,304	255	44,753	458,515
Cash and bank balances	7,683	18,750	26,174	3,193	1,669	57,469
	197,791	143,374	313,619	3,484	143,575	801,843

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

(i) Credit exposure by credit quality (Cont'd)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying financial and insurance assets according to the Group's and the Company's credit ratings of counterparties. AAA is the highest possible rating. (Cont'd)

Company	AAA RM'000	AA RM'000	A RM'000	Not rated RM'000	Total RM'000
2019					
Financial asset at amortised cost	–	–	34,885	33	34,918
Other receivables	–	–	700	88	788
Due from subsidiary companies	–	–	46	155,229	155,275
Cash and bank balances	2,887	233	–	–	3,120
	2,887	233	35,631	155,350	194,101
2018					
Held-to-maturity investments	–	–	34,846	73	34,919
Other receivables	12	–	699	343	1,054
Due from subsidiary companies	–	–	45	121,821	121,866
Cash and bank balances	291	7,200	–	1	7,492
	303	7,200	35,590	122,238	165,331

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account

Expected credit loss ("ECL") - Insurance receivables

Set out below is the information about the credit risk exposure on the Group's insurance receivables using a provision matrix:

(a) ECL by staging

	Months in arrear							
	Group 1				Group 2			
	0 to 1 month RM'000	2 to 3 months RM'000	More than 3 months RM'000	Total RM'000	0 to 6 months RM'000	7 to 12 months RM'000	More than 12 months RM'000	Total RM'000
Group								
30 September 2019								
ECL rate	**0.27%**	**0.20%**	**100.00%**		**0.71%**	**8.09%**	**100.00%**	
Carrying amount *	**2,972**	**48**	**11**	**3,031**	**19,194**	**176**	**1,072**	**20,442**
Allowance for ECL	**8**	**–**	**11**	**19**	**137**	**14**	**1,072**	**1,223**
1 October 2018								
ECL rate	0.27%	0.43%	100.00%		0.73%	2.22%	100.00%	
Carrying amount *	3,215	31	–	3,246	16,669	1,500	1,024	19,193
Allowance for ECL	8	–	–	8	121	33	1,024	1,178

Group 1 comprises of insurance receivables from agents, banks, corporate clients and direct customers, whereas Group 2 comprises of reinsurance receivables from reinsurers and ceding companies, amount due from brokers and co-insurers.

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account (Cont'd)

Expected credit loss ("ECL") - Insurance receivables (Cont'd)

Set out below is the information about the credit risk exposure on the Group's insurance receivables using a provision matrix: (Cont'd)

(b) ECL by aging

		Months in arrear					
	Not due RM'000	1 to 6 months RM'000	7 to 12 months RM'000	13 to 18 months RM'000	19 to 24 months RM'000	More than 24 months RM'000	Total RM'000
Group							
30 September 2019							
Carrying amount *	**–**	**22,225**	**176**	**1,072**	**–**	**–**	**23,473**
Allowance for ECL	**–**	**156**	**14**	**1,072**	**–**	**–**	**1,242**
1 October 2018							
Carrying amount *	–	19,915	1,500	1,024	–	–	22,439
Allowance for ECL	–	129	33	1,024	–	–	1,186

* The carrying amount consists of individual insurance receivables with gross outstanding amounts, as well as outstanding receivable balances that were netted off with credit balances.

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account (Cont'd)

Expected credit loss ("ECL") - Insurance receivables (Cont'd)

The following table shows the movement in gross insurance receivables and the loss allowances recognised for credit impaired receivables.

Group

2019

	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amounts			
As at 1 October 2018	**21,415**	**1,024**	**22,439**
Increase	**975**	**59**	**1,034**
As at 30 September 2019	**22,390**	**1,083**	**23,473**
Allowance for ECL			
As at 30 September 2018, as previously stated	**551**	**1,024**	**1,575**
Impact of adopting MFRS 9	**(389)**	**–**	**(389)**
As at 1 October 2018, as restated	**162**	**1,024**	**1,186**
Reversal, net	**(3)**	**59**	**56**
As at 30 September 2019	**159**	**1,083**	**1,242**

2018

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 October 2017	872	188	1,060
Allowance for impairment loss	227	364	591
Write back of impairment loss	(76)	–	(76)
At 30 September 2018	1,023	552	1,575

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account (Cont'd)

Expected credit loss ("ECL") - Trade receivables

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Months in arrear					
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000
Group						
30 September 2019						
ECL rate	**8.17%**	**67.02%**	**8.05%**	**83.10%**	**64.15%**	
Carrying amount	**747**	**94**	**733**	**213**	**2,700**	**4,487**
Allowance for ECL	**61**	**63**	**59**	**177**	**1,732**	**2,092**
1 October 2018						
ECL rate	6.10%	27.23%	20.14%	23.95%	75.62%	
Carrying amount	1,180	213	283	735	1,649	4,060
Allowance for ECL	72	58	57	176	1,247	1,610

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account (Cont'd)

Expected credit loss ("ECL") - Trade receivables (Cont'd)

The following table shows the movement in gross trade receivables and the loss allowances recognised for credit impaired receivables.

Group

2019

	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amounts			
As at 1 October 2018	**2,467**	**1,593**	**4,060**
(Decrease)/Increase	**(70)**	**497**	**427**
As at 30 September 2019	**2,397**	**2,090**	**4,487**
Allowance for ECL			
As at 30 September 2018, as previously stated	**17**	**1,593**	**1,610**
Impact of adopting MFRS 9 *	**–**	**–**	**–**
As at 1 October 2018, as restated	**17**	**1,593**	**1,610**
Addition	**2**	**611**	**613**
Reversal	**(15)**	**(116)**	**(131)**
As at 30 September 2019	**4**	**2,088**	**2,092**

2018

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 October 2017	2,143	14	2,157
Allowance for impairment loss	705	2	707
Write back of impairment loss	(1,210)	–	(1,210)
Write-off	(46)	–	(46)
Translation differences	2	–	2
At 30 September 2018	1,594	16	1,610

* No reinstatement was made to the opening ECL as management is of the view that the ECL adjustment is immaterial for trade receivables.

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account (Cont'd)

Expected credit loss ("ECL") - Due from subsidiary companies

Set out below is the information about the credit risk exposure on the Company's due from subsidiary companies using a provision matrix:

	Months in arrear					
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000
Company						
30 September 2019						
ECL rate	**0.39%**	**–**	**–**	**–**	**29.13%**	
Carrying amount	**5,933**	**1,626**	**2,889**	**1,615**	**202,097**	**214,160**
Allowance for ECL	**23**	**–**	**–**	**–**	**58,862**	**58,885**
1 October 2018						
ECL rate	33.66%	–	–	–	34.35%	
Carrying amount	1,919	2,168	2,817	4,647	169,007	180,558
Allowance for ECL	646	–	–	–	58,046	58,692

56. FINANCIAL RISKS (CONT'D)

(a) Credit risk (Cont'd)

Other financial assets - Reconciliation of allowance account (Cont'd)

Expected credit loss ("ECL") - Due from subsidiary companies

The following table shows the movement in gross due from subsidiary companies and the loss allowances recognised for credit impaired receivables.

Company

2019

	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amounts			
As at 1 October 2018	**121,866**	**58,692**	**180,558**
Increase	**33,409**	**193**	**33,602**
As at 30 September 2019	**155,275**	**58,885**	**214,160**
Allowance for ECL			
As at 30 September 2018, as previously stated	**–**	**58,692**	**58,692**
Impact of adopting MFRS 9 *	**–**	**–**	**–**
As at 1 October 2018, as restated	**–**	**58,692**	**58,692**
Addition	**–**	**193**	**193**
As at 30 September 2019	**–**	**58,885**	**58,885**

2018

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 October 2017	50,528	–	50,528
Allowance for impairment loss	8,164	–	8,164
At 30 September 2018	58,692	–	58,692

* No reinstatement was made to the opening ECL as management is of the view that the ECL adjustment is immaterial for due from subsidiary companies.

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56. FINANCIAL RISKS (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group and Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Group's and Company's policy is to maintain adequate liquidity to meet their liquidity needs under normal and stressed conditions.

The following policies and procedures are in place to mitigate the Group's and Company's exposure to liquidity risk:

- The Group-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Group is established. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Management Committee.

- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are implemented in order to ensure sufficient funding is available to meet insurance, investment contract and other payment obligations. As part of its liquidity management, the Group maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Contingency funding plans were established to mitigate funding requirement arising from emergency and other unforeseen cash calls. Such funding plans include the arrangement of credit with banks and funding from the Company.

- The Group has established treaty reinsurance contracts that contain a "cash call" clause which permits the Group to make cash calls on claims and receive immediate payments for large losses without waiting for usual periodic payment procedures to occur.

(i) Maturity analysis

The table below summarises the maturity profile of the financial and insurance liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as these are not contractual obligations.

Group	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
2019						
Insurance contract liabilities	395,464	188,068	101,023	96,106	20,375	405,572
Insurance payables	14,693	14,693	–	–	–	14,693
Trade payables	435	435	–	–	–	435
Other payables	14,943	14,943	–	–	–	14,943
Hire purchase creditors	1,419	677	446	406	–	1,529
Borrowings	35,179	3,396	5,331	36,964	–	45,691
Total	462,133	222,212	106,800	133,476	20,375	482,863

* Expected utilisation or settlement is within 12 months from the reporting date.

56. FINANCIAL RISKS (CONT'D)

(b) Liquidity risk (Cont'd)

(i) Maturity analysis (Cont'd)

Group	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000	Total RM'000
2018						
Insurance contract liabilities	413,458	155,193	113,541	120,944	35,372	425,050
Insurance payables	14,771	14,771	–	–	–	14,771
Trade payables	411	411	–	–	–	411
Other payables	15,414	15,414	–	–	–	15,414
Hire purchase creditors	1,412	723	509	301	–	1,533
Borrowings	35,004	2,660	5,331	36,964	–	44,955
Total	480,470	189,172	119,381	158,209	35,372	502,134

Company	Carrying value RM'000	Up to a year* RM'000	1-2 years RM'000	2-5 years RM'000	No maturity date RM'000	Total RM'000
2019						
Other payables	**1,633**	**1,633**	**–**	**–**	**–**	**1,633**
Due to subsidiary companies	**47**	**–**	**–**	**–**	**47**	**47**
Hire purchase creditors	**473**	**284**	**147**	**69**	**–**	**500**
Total	**2,153**	**1,917**	**147**	**69**	**47**	**2,180**
2018						
Other payables	1,452	1,452	–	–	–	1,452
Due to subsidiary companies	45	–	–	–	45	45
Hire purchase creditors	631	296	257	120	–	673
Total	2,128	1,748	257	120	45	2,170

* Expected utilisation or settlement is within 12 months from the reporting date.

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56. FINANCIAL RISKS (CONT'D)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rate/profit yield risk) and market prices (price risk).

The key features of the Group's and the Company's market risk management practices and policies are as follows:

- A Group and Company-wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Group and the Company is established.

- Policies and limits have been established to manage market risk. Market risk is managed through portfolio diversification and changes in asset allocation. The Group's and the Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign exchange risk as a result of its net investments in overseas subsidiary companies and normal trading activities, both external and intra-group, where the currency denomination differs from the functional currency, Ringgit Malaysia ("RM"). The currencies giving rise to foreign exchange risk are primarily United States Dollar ("USD"), Thailand Baht ("Baht"), Great Britain Pound ("GBP"), Singapore Dollar ("SGD") and Japanese Yen ("JPY").

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was:

	2019 Exposure in				
	USD RM'000	BAHT RM'000	GBP RM'000	SGD RM'000	JPY RM'000
Trade and other receivables	160	5,291	584	–	–
Due from an associated company	–	–	6,744	–	–
Deposits and placements with financial institutions	855	278	–	6,852	–
Cash and bank balances	8,333	4,534	1,848	68	155
Trade and other payables	(541)	(3,721)	(248)	–	–
Borrowings	(536)	–	–	–	–
	8,271	6,382	8,928	6,920	155

56. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Exposure to foreign currency risk (Cont'd)

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was: (Cont'd)

	2018 Exposure in				
	USD RM'000	BAHT RM'000	GBP RM'000	SGD RM'000	JPY RM'000
Trade and other receivables	396	4,658	340	3	–
Due from an associated company	–	–	3,731	–	–
Deposits and placements with financial institutions	–	257	–	6,852	–
Cash and bank balances	3,503	3,587	3,143	41	146
Trade and other payables	(930)	(2,439)	(239)	–	–
Borrowings	(539)	–	–	–	–
	2,430	6,063	6,975	6,896	146

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting date was:

	2019 Exposure in				
	USD RM'000	BAHT RM'000	GBP RM'000	SGD RM'000	JPY RM'000
Due from subsidiary companies	**68,957**	**9,468**	**55,545**	**–**	**–**
Deposits and placements with financial institutions	**–**	**–**	**–**	**6,852**	**–**
Cash and bank balances	**52**	**–**	**1**	**41**	**146**
Due to subsidiary companies	**(29)**	**(17)**	**–**	**–**	**–**
	68,980	**9,451**	**55,546**	**6,893**	**146**

	2018 Exposure in				
	USD RM'000	BAHT RM'000	GBP RM'000	SGD RM'000	JPY RM'000
Trade and other receivables	–	–	–	3	–
Due from subsidiary companies	53,810	8,107	41,696	–	–
Deposits and placements with financial institutions	–	–	–	6,852	–
Cash and bank balances	50	–	1	41	146
Due to subsidiary companies	(29)	(15)	–	–	–
	53,831	8,092	41,697	6,896	146

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

56. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(i) Currency risk (Cont'd)

Currency risk sensitivity analysis

The following table demonstrates the sensitivity of the Group's and the Company's profit/(loss) net of tax to a reasonable possible change in the USD, Baht, GBP, SGD and JPY exchange rates, with all other variables held constant:

		Group		Company	
		2019 Profit net of tax RM'000	**2018 Profit net of tax RM'000**	**2019 Profit net of tax RM'000**	**2018 Profit net of tax RM'000**
		<---------- Increase / (decrease) ---------->			
USD/RM	- strengthened 3%	**5,042**	4,445	**2,598**	2,157
	- weakened 3%	**(5,042)**	(4,445)	**(2,598)**	(2,157)
GBP/RM	- strengthened 3%	**2,103**	1,675	**2,103**	1,672
	- weakened 3%	**(2,103)**	(1,675)	**(2,103)**	(1,672)
USD/Baht	- strengthened 3%	**(380)**	(391)	**–**	–
	- weakened 3%	**380**	391	**–**	–
Baht/RM	- strengthened 3%	**506**	508	**296**	252
	- weakened 3%	**(506)**	(508)	**(296)**	(252)
SGD/RM	- strengthened 3%	**149**	216	**70**	207
	- weakened 3%	**(149)**	(216)	**(70)**	(207)
JPY/RM	- strengthened 3%	**5**	4	**5**	4
	- weakened 3%	**(5)**	(4)	**(5)**	(4)

(ii) Interest rate/profit yield risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

The Group and the Company are exposed to interest rate risk primarily through their investments in fixed income securities, deposits placements and borrowings from financial institutions. Interest rate risk is managed by the Group and the Company on an ongoing basis.

The Group and the Company have no significant concentration of interest rate/profit yield risk.

The impact on profit before tax at +/- 25 basis points change in the interest rate, with all other variables held constant, is insignificant to the Group and the Company given that it has minimal floating rate financial instruments.

56. FINANCIAL RISKS (CONT'D)

(c) Market risk (Cont'd)

(iii) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market.

The Group's exposure to price risk arises mainly from its investments in quoted shares and unit trusts whose values will fluctuate as a result of changes in market prices.

The Group manages its price risk by ensuring that its investments in quoted shares and unit trusts are within the limits set out in the Group's Investment Policy. The Group does not have any major concentration of price risk related to such investments.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on profit before tax (due to changes in fair value through profit or loss financial assets) and equity (due to changes in fair value of FVOCI; 2018: AFS financial assets).

		2019 Impact on		2018 Impact on	
Group	**Change in variables**	**Profit before tax RM'000**	**Equity * RM'000**	**Profit before tax RM'000**	**Equity * RM'000**
		<----------Increase / (decrease)---------->			
Market price	+10%	**12,804**	**15,213**	467	12,990
Market price	-10%	**(12,804)**	**(15,213)**	(467)	(12,990)
Company					
Market price	+10%	**265**	**1,763**	215	5,161
Market price	-10%	**(265)**	**(1,763)**	(215)	(5,161)

* Impact on Equity reflects adjustments for tax, where applicable.

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group and the Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of internal audit. Business risk, such as changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

57. CAPITAL MANAGEMENT

The Group's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders of its insurance subsidiary company and meet regulatory requirements.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or obtain credit facilities from financial institutions.

The insurance subsidiary company is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital ("RBC") Framework which is imposed by the Minister of Finance as a licensing condition for insurers. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. The insurance subsidiary company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the insurance subsidiary company as at 30 September 2019, as prescribed under the RBC Framework is provided below:

	2019 RM'000	**2018 RM'000**
Eligible Tier 1 Capital		
Share capital (paid-up)	**100,000**	100,000
Retained earnings	**105,920**	134,857
	205,920	234,857
Tier 2 Capital		
Capital instruments which qualify as Tier 2 Capital	**27,731**	41,467
Revaluation reserve	**12,378**	12,378
FVOCI reserve	**1,941**	–
AFS reserve	**–**	4,046
	42,050	57,891
Amounts deducted from Capital	**(1,357)**	(1,290)
Total Capital Available	**246,613**	291,458

58. SEGMENT REPORTING

(a) Business Segments:

The Group is organised into the following 4 major business segments:

(i) Insurance
(ii) Information technology
(iii) Investment holding
(iv) Money lending

Other business segments include distribution of consumer goods, property development and dealings in properties and investments, none of which is of a sufficient size to be reported separately.

58. SEGMENT REPORTING (CONT'D)

(a) Business Segments: (Cont'd)

The Directors are of the opinion that the inter-segment transactions have been entered into in the normal course of business on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
2019							
REVENUE							
External sales	309,231	12,850	939	460	–	–	323,480
Inter-segment sales	204	19,230	35,868	–	–	(55,302)	–
Total segment revenue	309,435	32,080	36,807	460	–	(55,302)	323,480
RESULTS							
Segment profit	21,298	(4,778)	19,700	501	(5,926)	(20,836)	9,959
Share of losses of associated companies (net of tax)	–	–	–	–	(4,067)	–	(4,067)
Segment profit before tax after accounting for:	21,298	(4,778)	19,700	501	(9,993)	(20,836)	5,892
Interest income	–	276	–	176	167	–	619
Finance cost	(5,558)	(2,755)	(380)	–	(3,742)	9,121	(3,314)
Depreciation	(1,246)	(590)	(209)	–	(87)	11	(2,121)
Amortisation	(449)	(167)	(13)	–	(2)	66	(565)
Unrealised foreign exchange losses	–	1,758	(1,819)	(10)	2	–	(69)
Other (expenses)/income	(1,387)	177	(1,064)	–	(167)	193	(2,248)
ASSETS							
Segment assets	829,786	29,667	24,182	8,112	92,771	–	984,518
Unallocated corporate assets							2,216
Consolidated total assets							986,734
LIABILITIES							
Segment liabilities	537,073	5,582	4,762	137	273	–	547,827
Unallocated corporate liabilities							41,296
Consolidated total liabilities							589,123
OTHER INFORMATION							
Investment in associated companies	–	–	–	–	18,528	–	18,528
Capital expenditure	465	1,563	169	–	19	–	2,216

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

58. SEGMENT REPORTING (CONT'D)

(a) Business Segments: (Cont'd)

	Insurance RM'000	Information technology RM'000	Investment holding RM'000	Money lending RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
2018							
REVENUE							
External sales	302,112	12,160	1,842	1,031	–	–	317,145
Inter-segment sales	261	17,900	29,965	–	–	(48,126)	–
Total segment revenue	302,373	30,060	31,807	1,031	–	(48,126)	317,145
RESULTS							
Segment profit	38,405	(4,059)	6,738	808	(7,742)	(13,844)	20,306
Share of losses of associated companies (net of tax)	–	–	–	–	(3,846)	–	(3,846)
Segment profit before tax after accounting for:	38,405	(4,059)	6,738	808	(11,588)	(13,844)	16,460
Interest income	–	186	–	2	3	–	191
Finance cost	(5,549)	(2,314)	(444)	(67)	(3,290)	8,291	(3,373)
Depreciation	(1,269)	(582)	(231)	–	(90)	11	(2,161)
Amortisation	(355)	(181)	(13)	–	(2)	66	(485)
Unrealised foreign exchange losses	–	(73)	(3,551)	(36)	(44)	–	(3,704)
Allowance for impairment of an associated company	–	–	–	–	(2,293)	–	(2,293)
Other (expenses)/income	(145)	258	(6,198)	–	(670)	5,620	(1,135)
ASSETS							
Segment assets	883,718	22,360	60,042	8,778	83,166	–	1,058,064
Unallocated corporate assets							2,540
Consolidated total assets							1,060,604
LIABILITIES							
Segment liabilities	557,084	5,191	4,611	305	280	–	567,471
Unallocated corporate liabilities							44,569
Consolidated total liabilities							612,040
OTHER INFORMATION							
Investment in associated companies	–	–	–	–	19,937	–	19,937
Capital expenditure	338	658	79	–	21	–	1,096

58. SEGMENT REPORTING (CONT'D)

(a) Business Segments: (Cont'd)

Other (expenses)/income include the following items:

	Group	
	2019 RM'000	2018 RM'000
Gain on disposal of investments	**701**	778
Loss on fair value of investments held as fair value through profit or loss	**(2,725)**	(1,590)
Allowance for impairment of:		
- insurance receivables	**(56)**	(591)
- trade receivables	**(613)**	(707)
Write back in allowance for impairment:		
- insurance receivables	**–**	76
- trade receivables	**131**	1,210
Bad debts written off:		
- trade receivables	**–**	(3)
Loss on disposal of property, plant and equipment	**(40)**	(260)
Allowance for unutilised leave	**(267)**	9
Property, plant and equipment written off	**(4)**	(48)
	(2,873)	(1,126)

(b) Geographical Segments

In Malaysia, the Group's areas of operation are principally insurance, information technology, investment holding and money lending. Other operations in Malaysia include distribution of consumer goods and investing in start-up companies.

The Group also operates in the United States of America (information technology and property development), Thailand (information technology) and England (investing in real estate market and start-up companies).

	Total Revenue from External Customers		Segment Assets		Capital Expenditure	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	**312,535**	306,908	**868,544**	974,410	**1,847**	499
Thailand	**10,133**	9,188	**11,401**	8,760	**347**	53
United States of America	**812**	1,049	**62,805**	52,484	**3**	523
England	**–**	–	**41,768**	22,410	**19**	21
	323,480	317,145	**984,518**	1,058,064	**2,216**	1,096

(c) Major Customers

There is no revenue from a single external customer which amounted to 10% or more of the Group's revenue during the financial year (2018: Nil).

Notes to the Financial Statements
- 30 September 2019
(Cont'd)

59. SUBSEQUENT EVENT

Subsequent to 30 September 2019, the Company increased its issued and paid-up ordinary share capital from 286,957,333 to 287,037,333 by way of issuance of 80,000 new ordinary shares pursuant to the Company's ESOS at an exercise price of RM0.89 per ordinary share for cash.

The new ordinary shares issued subsequent to the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

LIST OF GROUP'S PROPERTIES

as at 30 September 2019

No	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.09.2019 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
	MALAYSIA						
1.	P.N. (WP) 50897/M1/11/12 Lot No. 20004, Section 46 Town of Kuala Lumpur State of Wilayah Persekutuan 10th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	10,589	Leasehold expiring 08.04.2074 (P.N 50897 expiring 29.09.2112)	Office	4,809	34	Unit 10-A 01.07.1993/ 30.09.2017 Unit 10-B 01.04.1995/ 30.09.2017
2.	P.N. (WP) 50897/M1/11/12 Lot No. 20004, Section 46 Town of Kuala Lumpur State of Wilayah Persekutuan 11th and 12th Floor Wisma Bumi Raya No. 10, Jalan Raja Laut 50350 Kuala Lumpur Wilayah Persekutuan	11th Floor 10,589 12th Floor 10,589	Leasehold expiring 08.04.2074 (P.N 50897 expiring 29.09.2112)	Office	9,029	34	21.12.1982/ 30.09.2017
3.	Geran 5815/M1/16/132 Lot No. 262 Mukim of Ampang District and State of Wilayah Persekutuan Unit 332B-15A, 15th Floor, GCB Court Off Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan	1,615	Freehold	Condominium/ Residential	610	34	14.04.1986/ 30.09.2017
4.	Geran No.17880 for Lot No.2163 Town and District of Seremban Negeri Sembilan Darul Khusus Unit No. G.07, Ground Floor Wisma Punca Emas Jalan Dato' Sheikh Ahmad/Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus	312.5	Freehold	Shop-lot	45	40	01.12.1986/ 30.09.2017
5.	Parcel 281-1-18, 281-2-18 Lot 281, Section 48 Kuching Town Land District	1,701	Leasehold expiring 11.08.2771	2 storey shop/ Apartment	623	35	08.12.1984/ 30.09.2017
	Parcel 281-3-18, 281-4-18 of Lot 281, Section 48 Kuching Town Land District Taman Sri Sarawak Mall Jalan Padungan 93100 Kuching, Sarawak	1,625	Leasehold expiring 11.08.2771	2 storey shop/ Apartment	335	35	08.12.1984/ 30.09.2017

List Of Group's Properties
as at 30 September 2019
(Cont'd)

No	Location	Gross build-up area (Land area) sq. ft.	Tenure	Description/ existing use	Net book value @ 30.09.2019 RM'000	Approximate age of building Years	Date of acquisition/ Date of last valuation
	MALAYSIA (CONT'D)						
6.	Lot No. 13772 & 13771S Geran 10602/M1/4/11 & 10601/M1/4/2 Town of Ipoh District of Kinta State of Perak Darul Ridzuan Lot 3.1 & 3.2, 3rd Floor Wisma Kota Emas Jalan Dato' Tahwil Azhar 30300 Ipoh Perak Darul Ridzuan	1,528	Freehold	Office-lots	183	36	13.02.1991/ 30.09.2017
7.	Lot No. 1217, Title No. P.N. 26201 Town of Kawasan Bandar XLII District of Melaka Tengah State of Melaka No.2, Jalan PM7 Plaza Mahkota Bandar Hilir 75000 Melaka	9,428 (2,357)	Leasehold expiring 18.07.2101	4 storey shop-office	907	21	18.09.1998/ 30.09.2017
8.	Geran 72942 Lot No. 59758 Mukim and District of Petaling State of Selangor Darul Ehsan No. 40, Jalan BP 5/8 Bandar Bukit Puchong 47100 Puchong Selangor Darul Ehsan	4,879 (3,477)	Freehold	1½ storey factory corner unit/ office	1,857	20	03.12.1999/ 30.09.2017
9.	Geran 72944 Lot No. 59759 Mukim and District of Petaling State of Selangor Darul Ehsan No. 38, Jalan BP 5/8 Bandar Bukit Puchong 47100 Puchong Selangor Darul Ehsan	2,875 (2,002)	Freehold	1½ storey factory intermediate unit/office	1,293	20	03.12.1999/ 30.09.2017
	UNITED STATES OF AMERICA						
1.	7914, 7916, 7918 West Drive North Bay Village Miami-Dade County Florida 33141	33,600	Freehold	Land held for development	47,345	N/A	08.01.2015

SHAREHOLDINGS STATISTICS

as at 31 December 2019

Issued and fully paid-up capital	:	RM147,389,073
Class of share	:	Ordinary shares
Voting rights	:	One vote per ordinary share

BREAKDOWN OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	%
Less than 100 shares	541	23,154	0.01
100 to 1,000 shares	368	127,157	0.05
1,001 to 10,000 shares	2,581	11,068,898	4.09
10,001 to 100,000 shares	1,434	37,250,951	13.78
100,001 to less than 5% of issued shares	164	146,278,747	54.09
5% and above of issued shares	3	75,671,433	27.98
Total	**5,091**	**270,420,340***	**100.00**

* The number of 270,420,340 ordinary shares is exclusive of treasury shares retained by the Company.

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 31 December 2019 were as follows:

	No. of Shares Held			
Name	Direct Interest	%	Indirect Interest	%
Chan Thye Seng	39,250,538	14.51	127,219,650[2]	47.05
Mah Wing Holdings Sdn. Bhd.	63,337,400	23.42	–	–
Mah Wing Investments Limited	57,473,102	21.25	–	–

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings, the Directors' shareholdings as at 31 December 2019 were as follows:

	No. of Shares Held			
Name	Direct Interest	%	Indirect Interest	%
Chan Hua Eng	331,564	0.12	6,254,924[1]	2.31
Chan Thye Seng	39,250,538	14.51	127,219,650[2]	47.05
Michael Yee Kim Shing	233,333	0.09	479,519[3]	0.18
Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed	233,333	0.09	–	–
Dato' Dr. Zaha Rina binti Zahari	1,000,066	0.37	–	–

Notes:

(1) *Held by virtue of Chan Hua Eng's interests in Chan Kok Tien Realty Sdn. Bhd. ("CKT"), Tysim Holdings Sdn. Bhd. ("Tysim") and deemed to have interest in shares held by his spouse and daughter.*

(2) *Held by virtue of Chan Thye Seng's interests in Mah Wing Investments Limited, Mah Wing Holdings Sdn. Bhd., CKT, Tysim and deemed to have interest in shares held by his spouse.*

(3) *Deemed to have interest in shares held by his spouse and children.*

Shareholdings Statistics
as at 31 December 2019
(Cont'd)

THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS

No.	Name	No. of Shares Held	% of Issued Capital
1.	Mah Wing Investments Limited	45,806,436	16.94
2.	HLB Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.*	15,289,047	5.65
3.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chan Thye Seng*	14,575,950	5.39
4.	Mah Wing Holdings Sdn. Bhd.	13,971,733	5.17
5.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.*	11,806,666	4.37
6.	Public Nominees (Asing) Sdn. Bhd. *Pledged Securities Account for Mah Wing Investments Limited*	11,666,666	4.31
7.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund*	10,091,666	3.73
8.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.*	9,750,000	3.61
9.	AMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.*	6,919,954	2.56
10.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chan Thye Seng*	6,702,014	2.48
11.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Chan Thye Seng*	6,145,281	2.27
12.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chan Thye Seng*	5,833,333	2.16
13.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Chan Kok Tien Realty Sdn. Bhd.*	5,612,469	2.08
14.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Mah Wing Holdings Sdn. Bhd.*	5,600,000	2.07
15.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chan Thye Seng*	2,485,000	0.92
16.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chan Thye Seng*	2,431,370	0.90
17.	Tan Teong Han	2,085,115	0.77
18.	Yeoh Phek Leng	2,013,602	0.74
19.	Neoh Choo Ee & Company Sdn. Berhad	1,766,366	0.65
20.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Liew Kon Sing @ Liew Kong*	1,704,033	0.63
21.	HLIB Nominees (Tempatan) Sdn. Bhd. *Hong Leong Bank Bhd. for Tan Chong Meng*	1,264,000	0.47
22.	Affin Hwang Nominees (Asing) Sdn. Bhd. *DBS Vickers Secs (S) Pte. Ltd. for Yeo Seng Chong*	1,185,066	0.44
23.	Yeap Chin Loon	1,132,432	0.42
24.	Chan Thye Seng	1,077,590	0.40
25.	Yayasan Guru Tun Hussein Onn	1,027,873	0.38
26.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Zaha Rina binti Zahari*	875,000	0.32
27.	Tong Fong Realty Sdn. Berhad	868,583	0.32
28.	Surinder Singh A/L Wassan Singh	730,033	0.27
29.	Yayasan Guru Tun Hussein Onn	723,333	0.27
30.	Boh Plantations Sdn. Berhad	655,809	0.24
	Total	191,796,420	70.93

PACIFIC & ORIENT BERHAD
Registration no. 199401022687 (308366-H)
(Incorporated in Malaysia)

FORM OF PROXY

*I/We, _____

of _____

being a member/members of **PACIFIC & ORIENT BERHAD**, hereby appoint _____

_____

of _____

or failing whom, _____

of _____

or failing whom the **Chairman of the meeting** as *my/our proxy to vote for *me/us on *my/our behalf at the 26th Annual General Meeting of the Company to be held at the Concorde Ballroom, Lobby Level, Concorde Hotel Kuala Lumpur, 2 Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 19 February 2020 at 10.30 a.m. and at any adjournment thereof.

Item	Agenda			
1.	To receive the Audited Financial Statements and Reports.			
		Resolution	**For**	**Against**
2.	To approve the Directors' fees payable to the Non-Executive Directors of the Company up to an amount of RM600,000 from the day after the 26th Annual General Meeting until the next Annual General Meeting of the Company	Ordinary Resolution 1		
3.	To approve the Directors' benefits and meeting allowance payable to the Non-Executive Directors of the Company up to an amount of RM100,000 from the day after the 26th Annual General Meeting until the next Annual General Meeting of the Company	Ordinary Resolution 2		
4.	To re-elect Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed as Director	Ordinary Resolution 3		
5.	To re-elect Mr. Chan Thye Seng as Director	Ordinary Resolution 4		
6.	To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration	Ordinary Resolution 5		
7.	Authority under Sections 75 and 76 of the Companies Act 2016 to allot and issue shares	Ordinary Resolution 6		
8.	Proposed renewal of authority for the purchase by the Company of its own shares	Ordinary Resolution 7		
9.	To retain Mr. Michael Yee Kim Shing as Independent Director	Ordinary Resolution 8		
10.	To retain Tunku Dato' Mu'tamir bin Tunku Tan Sri Mohamed as Independent Director	Ordinary Resolution 9		

(Please indicate with an "X" in the space provided above how you wish your vote to be cast on the resolutions specified in the notice of meeting. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

* Delete if not applicable.

As witness my hand this _____ day of _____ 2020

No. of Shares Held	
CDS Account No.	

_____
Signature/Common Seal of Member(s)

Notes:

1. *Depositors whose names appear in the Record of Depositors as at 13 February 2020 shall be regarded as members of the Company entitled to attend the Annual General Meeting or appoint proxies to attend on their behalf.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.*
3. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*
4. *In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.*
5. *The instrument appointing a proxy must be deposited at the registered office of the Company situated at 11th Floor, Wisma Bumi Raya, No. 10, Jalan Raja Laut, 50350 Kuala Lumpur not less than 48 hours before the time appointed for the meeting.*

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

Fold this flap for sealing

Then fold here

AFFIX
STAMP

Company Secretary

PACIFIC & ORIENT BERHAD

Registration no. 199401022687 (308366-H)
11th Floor, Wisma Bumi Raya
No. 10, Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

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