## A. Notes To The Condensed Consolidated Interim Financial Statements For The Six Months Ended 31 March 2020

A1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The condensed consolidated interim financial statements also comply with International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

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

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

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

A1. Basis of Preparation (Cont'd.)

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

(a) Adoption of MFRS 16: Leases

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

MFRS 16 has been adopted by the Group from date of initial application of 1 October 2019 using the modified retrospective approach with no restatement of comparative information. Accordingly the comparative financial statements for the year ended 30 September 2019 are not comparable.

As a lessee

(i) Leases previously classified as operating leases

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

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

(ii) Leases previously classified as finance leases

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

A1. Basis of Preparation (Cont'd.)

(a) Adoption of MFRS 16: Leases (Cont'd.)

As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head-lease and the sub-lease separately. If a head-lease is a short-term lease to which the Group applies the permitted exemption under MFRS 16 as mentioned below, then it classifies the sub-lease as an operating lease. In other cases, the sub-lease is classified by reference to the ROU asset arising from the head-lease, and not the underlying asset.

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

- Not assess whether a contract is, or contains a lease as at 1 October 2019. Instead the Group applied MFRS 16 only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 as at 1 October 2019.

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Excluded the initial direct costs from the measurement of the ROU assets at the date of initial adoption.

- Exempted from recognition as ROU assets and lease liabilities:

  - short-term leases with lease terms of 12 months or less, and which do not contain any purchase option;

  - leases for low-value assets which mainly comprise office and computer equipment, except for those assets which are, or expected to be sub-leased.

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

- Combine each separate lease component and any associated non-lease components and account for them as a single lease component.

A1. Basis of Preparation (Cont'd.)

(a) Adoption of MFRS 16: Leases (Cont'd.)

The financial effects of adopting MFRS 16 are disclosed below:

| | As previously stated at 30 Sept 2019 RM'000 | Effects of adopting MFRS 16 RM'000 | As restated at 1 Oct 2019 RM'000 |
|---|---|---|---|
| Assets | | | |
| Right-of-use assets | - | 14,536 | 14,536 |
| Lease receivables | - | 1,076 | 1,076 |
| | | | |
| Liabilities | | | |
| Lease liabilities | - | 14,654 | 14,654 |

A2. MFRSs, Amendments to MFRSs and Interpretations yet to be effective

<u>Effective for financial periods beginning on or after 1 January 2020</u>

| | |
|---|---|
| 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)

<u>Effective for financial periods beginning on or after 1 January 2021</u>

| | |
|---|---|
| MFRS 17 | Insurance Contracts |

<u>Effective for financial periods beginning on or after 1 January 2022</u>

| | |
|---|---|
| Amendments to MFRS 101 | Classification of Liabilities as Current or Non-current |

A2. 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, except as disclosed below:

- MFRS 17: Insurance Contracts

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

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

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

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

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

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

A3. Audit Qualification of the Preceding Annual Financial Statements

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

A4. Seasonality or Cyclicality of Operations

The businesses of the Group are not subject to seasonal or cyclical fluctuations.

A5. Unusual Items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows of the Group for the period under review except for those arising from the adoption of MFRS 16 as disclosed in Note A1(a).

A6. Change in Estimates

There were no changes in estimates of amounts reported in prior periods that have a material effect in the period under review.

A7. Issuances, Repurchases, Resale and Repayments of Debts and Equity Securities

(i) Issuance of shares

During the six months period ended 31 March 2020, 102,000 new ordinary shares each fully paid were issued pursuant to the exercise of options granted under the Company's Employees Share Option Scheme ("ESOS") at an exercise price of RM0.89 per share. Details of the issued and paid up capital of the Company as at 31 March 2020 are as follows:

| | No. of shares | RM'000 |
|---|---|---|
| As at 30 September 2019 | 286,957,333 | 147,289 |
| Ordinary shares issued pursuant to the ESOS | 102,000 | 100 [1] |
| As at 31 March 2020 | 287,059,333 | 147,389 |

[1] Included capitalisation of share option reserves to share capital of RM9,000.

All the above new ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

A7. Issuances, Repurchases, Resale and Repayments of Debts and Equity Securities (Cont'd.)

(ii) Share buy-back

On 19 February 2020, the shareholders approved the renewal of the Company's plan to purchase its own ordinary shares.

During the six months period ended 31 March 2020, the Company purchased 2,993,600 of its issued and fully paid ordinary shares from the open market at an average price of RM0.92 per share for a total consideration of RM2,742,694. 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 287,059,333 issued and fully paid ordinary shares as at 31 March 2020, 18,936,993 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 268,122,340 ordinary shares.

(iii) There were no issuance or repayment of debt securities during the period ended 31 March 2020.

## A8. Segment Information

| | Insurance RM'000 | Information Technology RM'000 | Investment Holding RM'000 | Others RM'000 | Consolidation adjustments RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|
| **Year to date ended 31 March 2020** | | | | | | |
| **REVENUE** | | | | | | |
| External sales | 156,386 | 6,359 | 28 | 128 | - | 162,901 |
| Inter-segment sales | 131 | 8,885 | 19,053 | 71 | (28,140) | - |
| Total segment Revenue | 156,517 | 15,244 | 19,081 | 199 | (28,140) | 162,901 |
| **RESULTS** | | | | | | |
| Segment (loss)/profit | (8,799) | 164 | 12,233 | (5,107) | (7,369) | (8,878) |
| Share of losses of associated companies | - | - | - | (1,676) | - | (1,676) |
| Segment (loss)/profit before tax after accounting for : | (8,799) | 164 | 12,233 | (6,783) | (7,369) | (10,554) |
| Interest income | - | 318 | - | 91 | (168) | 241 |
| Finance cost | (3,247) | (1,798) | (199) | (2,157) | 5,549 | (1,852) |
| Depreciation | (3,757) | (1,528) | (263) | (240) | 3,098 | (2,690) |
| Amortisation | (210) | (84) | (7) | - | 33 | (268) |
| Unrealised foreign exchange (losses)/gains | - | (282) | 5,562 | 48 | - | 5,328 |
| Other (expenses)/income | (5,946) | 4,266 | 4,395 | (2,361) | (7,044) | (6,690) |
| **Year to date ended 31 March 2019** | | | | | | |
| **REVENUE** | | | | | | |
| External sales | 156,723 | 5,512 | 557 | 309 | - | 163,101 |
| Inter-segment sales | 131 | 9,568 | 29,022 | - | (38,721) | - |
| Total segment Revenue | 156,854 | 15,080 | 29,579 | 309 | (38,721) | 163,101 |
| **RESULTS** | | | | | | |
| Segment profit/(loss) | 10,263 | (4,472) | 19,168 | (2,805) | (21,785) | 369 |
| Share of losses of associated companies | - | - | - | (2,695) | - | (2,695) |
| Segment profit/(loss) before tax after accounting for : | 10,263 | (4,472) | 19,168 | (5,500) | (21,785) | (2,326) |
| Interest income | - | 126 | - | 144 | - | 270 |
| Finance cost | (2,762) | (1,290) | (191) | (1,807) | 4,409 | (1,641) |
| Depreciation | (620) | (252) | (114) | (44) | 6 | (1,024) |
| Amortisation | (229) | (84) | (7) | (1) | 33 | (288) |
| Unrealised foreign exchange losses | - | (147) | (2,390) | (28) | - | (2,565) |
| Other income/(expenses) | 206 | (18) | (892) | (19) | 170 | (553) |

A9. Material Events Subsequent to End of Reporting Period

Save as disclosed below, there were no other material events subsequent to the end of current period that have not been reflected in this interim financial report.

(a) On 24 February 2020, the Company entered into a sale and purchase agreement ("SPA") with Hong Leong Investment Bank Berhad ("HLIBB") to dispose of its Subordinated Note ("POI Sub-Note") of RM35,000,000 in nominal value to HLIBB, for a cash consideration of RM35,000,000 ("Disposal") with a call and put option to buy-back the POI Sub-Note. The Disposal was completed on 14 April 2020.

(b) The Covid-19 pandemic has significantly disrupted many business operations in Malaysia and around the world. The pandemic resulted in a Movement Control Order ("MCO") in Malaysia from 18 March to 3 May 2020 and Conditional MCO ("CMCO") subsequently to 9 June 2020.

The full extent and duration of the effect from the pandemic may not have materialised as at 31 March 2020. The Group continues to monitor relevant indicators which would influence the estimates used in arriving at the Group's financial results. The impact of the pandemic on the Group's prospects is further described in Note B3.

A10. Changes in Contingent Assets and Contingent Liabilities

The Group does not have any contingent assets since financial year ended 30 September 2019.

Details of the Group's contingent liabilities are as follow:

| | | Year To Date | |
|---|---|---|---|
| | | 31.3.2020 | 31.3.2019 |
| | | RM'000 | RM'000 |
| (i) | Performance guarantees - secured | 426 | 437 |

(ii) 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 ("BNM"), 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.

A11. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 March 2020.

A12. Capital Commitments

There are no capital commitments for the purchase of property, plant and equipment and intangible asset (either approved and contracted for or approved but not contracted for) as at 31 March 2020.

A13. Significant Related Party Transactions

The following transactions with related parties were carried out under the terms and conditions negotiated with the related parties:

| | Year To Date | |
|---|---|---|
| | 31.3.2020 | 31.3.2019 |
| | RM'000 | RM'000 |
| (a) Substantial shareholders of the Insurance subsidiary company - Expenditure: | | |
| - Product and pricing services | 132 | 57 |
| - Actuarial fees | - | 57 |
| - Specialised liability business services fees | - | 45 |
| | 132 | 159 |
| (b) Advances to associated companies by a foreign subsidiary company (Pacific & Orient Properties Ltd.) | 3,679 | 4,725 |

A14. Risk-Based Capital ("RBC") Framework of the Insurance Subsidiary

As at 31 March 2020, the insurance subsidiary has a capital adequacy ratio in excess of the minimum requirement as stipulated in the RBC Framework.

## A15. 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 fair value of share options was estimated by the Group using the Black-Scholes-Merton 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.

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

| | | | <------ Number of Options ------> | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price | Outstanding as at 1 Oct 2019 | Granted during the period | Expired during the period | Forfeited during the period | Exercised during the period | Outstanding as at 31 Mar 2020 | Exercisable as at 31 Mar 2020 |
| 13 Sept 2019 | 16 June 2024 | RM0.89 | 20,766,000 | - | - | 81,000 | 102,000 | 20,583,000 | 7,574,000 |

The movements of share options reserve during the period are presented as follows:

| | Number of options | Amount RM'000 |
|---|---|---|
| Share options reserve at 1 October 2019 | 12,150,083 | 1,046 |
| Options recognised during the period | 2,196,542 | 188 |
| Forfeited during the period | (81,000) | (7) |
| Exercised during the period | (102,000) | (9) |
| Share options reserve at 31 March 2020 | 14,163,625 [1] | 1,218 |
| | | |
| Share options reserve at 1 October 2018 | - | - |
| Options recognised during the year | 12,206,083 | 1,051 |
| Forfeited during the year | (45,000) | (4) |
| Exercised during the year | (11,000) | (1) |
| Share options reserve at 30 September 2019 | 12,150,083 [1] | 1,046 |

[1] As at 31 March 2020, the number of exercisable options was 7,574,000 (30 September 2019: 7,757,000 options)

## B. Additional Notes Pursuant To The Main Market Listing Requirements of Bursa Malaysia For The Six Months Ended 31 March 2020

### B1. Review of Results

Financial review for current quarter and year to date

| | Individual Period | | | | Cumulative Period | | | |
|---|---|---|---|---|---|---|---|---|
| | Current Year Quarter Ended 31 Mar 2020 RM'000 | Preceding Year Corresponding Quarter Ended 31 Mar 2019 RM'000 | Changes (Amount) RM'000 | Changes (%) | Current Year To-date Ended 31 Mar 2020 RM'000 | Preceding Year Corresponding Period Ended 31 Mar 2019 RM'000 | Changes (Amount) RM'000 | Changes (%) |
| Revenue | 85,871 | 85,543 | 328 | 0% | 162,901 | 163,101 | (200) | (0%) |
| Operating (loss)/profit | (2,170) | 5,009 | (7,179) | 143% | (6,869) | 2,010 | (8,879) | 442% |
| (Loss)/profit before tax | (3,846) | 2,782 | (6,628) | 238% | (10,554) | (2,326) | (8,228) | (354%) |
| (Loss)/profit after tax | (4,405) | 682 | (5,087) | 746% | (10,357) | (5,208) | (5,149) | (99%) |
| Loss attributable to equity holders of the Company | (2,011) | (1,978) | (33) | 0% | (6,049) | (8,891) | 2,842 | 32% |

<u>Financial Review for Current Quarter compared with Preceding Year Corresponding Quarter</u>

Group revenue was RM85,871,000 compared to RM85,543,000 in the preceding year corresponding quarter. Loss before tax of RM3,846,000 was reported compared to pre-tax profit of RM2,782,000 in the preceding year corresponding quarter.

Insurance segment – Revenue increased by RM68,000 to RM82,275,000 for the current quarter compared to the preceding year corresponding quarter. The increase in revenue was primarily due to higher gross earned premium. Loss before tax of RM457,000 was reported for the current quarter as compared to a pre-tax profit of RM11,296,000 in the preceding year corresponding quarter. This was largely attributable to the loss in fair value of investments held at fair value through profit or loss (“FVTPL”), and lower underwriting results arising from higher net claims incurred.

Information technology (IT) segment – Revenue from external parties increased by RM569,000 to RM3,512,000 for the current quarter compared to the preceding year corresponding quarter, principally due to higher sales of hardware and income from IT services. A lower pre-tax loss of RM2,589,000 was reported for the current quarter as compared to a pre-tax loss of RM3,381,000 in the preceding year corresponding quarter, mainly due to the increase in unrealised foreign exchange gains of RM271,000.

B1. Review of Results (Cont'd.)

Current Period compared with Preceding Year Corresponding Period

Group revenue was RM162,901,000 compared to RM163,101,000 in the preceding year corresponding period. Loss before tax of RM10,554,000 was reported compared to pre-tax loss of RM2,326,000 in the preceding year corresponding period.

Insurance segment – Revenue decreased by RM337,000 to RM156,386,000 for the current period compared to the preceding year corresponding period. The decrease in revenue was primarily due to lower investment income. Loss before tax of RM552,000 was reported for the current period as compared to pre-tax profit of RM18,363,000 in the preceding year corresponding period, mainly attributable to the loss in fair value of investments held at FVTPL, and lower underwriting results arising from higher net claims incurred.

Information technology (IT) segment – Revenue from external parties increased by RM847,000 to RM6,359,000 for the current period compared to the preceding year corresponding period, principally due to higher sales of hardware and income from IT services. A lower pre-tax loss of RM6,576,000 was reported in the current period as compared to a pre-tax loss of RM8,227,000 in the preceding year corresponding period, mainly due to higher sales and lower operating expenses.

Consolidated Statement of Comprehensive Income

Group's total other comprehensive loss for the current period ended 31 March 2020 amounted to RM2,875,000 as compared to total comprehensive loss of RM4,269,000 in the preceding year corresponding quarter, mainly due to the increase in fair value through other comprehensive income ("FVOCI") reserve from higher fair value of the quoted shares.

Consolidated Statement of Financial Position

The Group's total assets as at 31 March 2020 was RM993,503,000, an increase from RM986,734,000 as of 30 September 2019. The increase was mainly from recognition of the right-of-use assets and lease receivables upon the adoption of MFRS 16.

The Group's total liabilities as at 31 March 2020 was RM631,904,000, an increase from RM589,123,000 as of 30 September 2019. The increase was mainly due to the recognition of lease liabilities from the adoption of MFRS 16.

The Group's equity attributable to equity holders of the Company was RM270,515,000 as at 31 March 2020 compared to RM289,694,000 as of 30 September 2019. The decrease was mainly due to lower retained profits from net losses and payment of dividends.

B1. Review of Results (Cont'd.)

Consolidated Statement of Cash Flows

The Group's cash and cash equivalents as at 31 March 2020 was RM47,130,000.

The net cash generated from operating activities of RM26,452,000 was due to higher unexpired premium during the current period. The net cash used in investing activities of RM1,434,000 was mainly for additional investment in associated companies. The net cash used in financing activities of RM22,706,000 was principally for payments of dividends.

## B2. Current Quarter compared with Immediate Preceding Quarter's Results

| | Current Quarter 31 Mar 2020 RM'000 | Immediate Preceding Quarter 31 Dec 2019 RM'000 | Changes (Amount) RM'000 | Changes (%) |
|---|---|---|---|---|
| Revenue | 85,871 | 77,030 | 8,841 | 11% |
| Operating loss | (2,170) | (4,699) | 2,529 | (54%) |
| Loss before tax | (3,846) | (6,708) | 2,862 | (43%) |
| Loss after tax | (4,405) | (5,952) | 1,547 | (26%) |
| Loss attributable to equity holders of the Company | (2,011) | (4,038) | 2,027 | (50%) |

Group revenue was RM85,871,000 compared to RM77,030,000 reported in the immediate preceding quarter. Loss before tax of RM3,846,000 was recorded compared to pre-tax loss of RM6,708,000 in the immediate preceding quarter.

Insurance segment – Revenue increased by RM8,164,000 to RM82,275,000 for the current quarter compared to the immediate preceding quarter. The increase in revenue was primarily due to higher gross earned premium. However, loss before tax of RM457,000 was reported for the current quarter as compared to a pre-tax loss of RM95,000 in the immediate preceding quarter. This was largely attributable to the loss in fair value of investments held at FVTPL and higher business development expenses, offset by better underwriting results principally from lower net claims incurred.

IT segment – Revenue from external parties increased by RM665,000 to RM3,512,000 for the current quarter compared to the immediate preceding quarter. This was mainly attributable to higher income from IT services. A lower pre-tax loss of RM2,589,000 was reported for the current quarter as compared to a pre-tax loss of RM3,987,000 in the immediate preceding quarter which resulted from increase in unrealised foreign exchange gains of RM740,000.

B3. Current Year Prospects

The Covid-19 pandemic and the Movement Control Order ("MCO") restrictions have significantly affected the general insurance operations. The enforced closure of insurance agents' premises during the MCO period has restricted the insurance subsidiary company to rely on its call centre and online distribution channels, which subsequently has adversely affected the acquisition of premium income. As the current economic indicators projecting lower Gross Domestic Product growth, higher unemployment rate and significant drop in vehicle sales, the Group expects that the adverse trends on the general insurance business will continue post MCO period.

The IT division is also expected to record lower sales as some customers can be expected to delay orders. However, the overall impact is not likely to be severe as the division has long term customers on which it can rely for a steady stream of income.

Despite the economy is in its Covid-19 recovery progression, the uncertainties arising have inevitably disrupted the consumers' sentiment and their spending. In these circumstance, the Board expects the Group to face a difficult prospects for the financial year ending 30 September 2020.

B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the period ended 31 March 2020.

B5. Taxation

The taxation figures include the following:

| | Quarter Ended | | Year To Date | |
|---|---|---|---|---|
| | 31.3.2020 | 31.3.2019 | 31.3.2020 | 31.3.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax: | | | | |
| Current year's provision | | | | |
| - Malaysian tax | 781 | 2,154 | 54 | 2,945 |
| Deferred tax: | | | | |
| - Transfer from deferred taxation | (222) | 86 | (251) | 77 |
| - Under provision in prior years | - | (140) | - | (140) |
| | 559 | 2,100 | (197) | 2,882 |

The effective rates of taxation of the Group is higher than the statutory rate of taxation principally due to certain expenses which are not deductible for tax purposes.

B6. Status of Corporate Proposal

There were no other corporate proposal announced but not completed as of the date of this report.

## B7. Group Borrowings

| | Secured/ Unsecured | Currency | As at 31 March 2020 Foreign Currency '000 | As at 31 March 2020 RM equivalent RM'000 | As at 30 September 2019 Foreign Currency '000 | As at 30 September 2019 RM equivalent RM'000 |
|---|---|---|---|---|---|---|
| Long term | | | | | | |
| a. Hire purchase creditors | Secured | GBP | 23 | 124 | 2 | 9 |
| | Secured | Baht | 1,792 | 237 | 2,392 | 325 |
| | Secured | RM | - | 460 | - | 468 |
| | | | | 821 | | 802 |
| b. Subordinated Note (1) | Unsecured | RM | - | 34,518 | - | 34,443 |
| Total Long Term Borrowings | | | | 35,339 | | 35,245 |
| Short term | | | | | | |
| a. Hire purchase creditors | Secured | GBP | 14 | 73 | - | 2 |
| | Secured | Baht | 1,179 | 156 | 1,187 | 162 |
| | Secured | RM | - | 416 | - | 453 |
| | | | | 645 | | 617 |
| b. Revolving credit facilities | Secured | RM | - | 6,400 | - | 200 |
| c. Term loan | Secured | USD | 130 | 562 | 130 | 536 |
| d. Overdraft facilities | Secured | RM | - | - | - | - |
| Total Short Term Borrowings | | | | 7,607 | | 1,353 |
| Total | | | | 42,946 | | 36,598 |

(1) Long term unsecured borrowings relate to the Subordinated Note with a nominal value of RM35,000,000 net of discount and transaction costs, issued by the insurance subsidiary company to a third party on 27 June 2012.

## B8. Material Litigation

As at 31 March 2020 there was no material litigation against the Group other than those arising in the normal course of the insurance subsidiary's business.

## B9. Dividends

In respect of financial year ending 30 September 2020:

| | RM'000 | Date of payment |
|---|---|---|
| (i) A first interim single tier dividend of 1.50 sen per share declared on 13 December 2019 | 4,056 | 13 January 2020 |
| (ii) A second interim single tier dividend of 1.50 sen per share declared on 18 February 2020 | 4,050 | 20 March 2020 |
| | 8,106 | |

Subsequent to 31 March 2020, the Board of Directors had declared the following dividends in respect of financial year ending 30 September 2020:

| | Date of payment |
|---|---|
| (i) A third interim single tier dividend of 0.40 sen per share declared on 8 April 2020 | 30 April 2020 |
| (ii) A fourth interim single tier dividend of 0.40 sen per share declared on 27 April 2020 | 22 May 2020 |
| (iii) A fifth interim single tier dividend of 0.40 sen per share declared on 20 May 2020 | 18 June 2020 |

These dividends have not been reflected in the financial statements for the current quarter ended 31 March 2020 but will be accounted for in equity as an appropriation of retained profits for the next quarter ending 30 June 2020.

The total single tier dividend in respect of the current financial year was 4.20 sen per share (Previous corresponding period: single tier dividend of 3.75 sen per share).

B10. Loss Per Share

| | | Quarter Ended | | Year To Date | |
|---|---|---|---|---|---|
| | | 31.3.2020 | 31.3.2019 | 31.3.2020 | 31.3.2019 |
| Net loss for the period (A) | (RM'000) | (2,011) | (1,978) | (6,049) | (8,891) |
| Weighted average number of ordinary shares in issue (B) | ('000) | 269,464 | 272,506 | 269,997 | 273,033 |
| Weighted average number of ordinary shares for diluted earnings/(loss) per share (C) | ('000) | *(1) | *(2) | *(1) | *(2) |
| Loss per share: | | | | | |
| Basic (A ÷ B) | (sen) | (0.75) | (0.73) | (2.24) | (3.26) |
| Diluted (A ÷ C) | (sen) | *(1) | *(2) | *(1) | *(2) |

*(1) Not disclosed as it is anti-dilutive.

*(2) There were no potential dilutive ordinary shares during this reporting period.

## B11. Loss For The Period

| | Quarter Ended | | Year To Date | |
|---|---|---|---|---|
| | 31.3.2020 | 31.3.2019 | 31.3.2020 | 31.3.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss for the period is arrived at after charging/(crediting): | | | | |
| Interest expense | 908 | 722 | 1,852 | 1,462 |
| Depreciation of: | | | | |
| - property, plant and equipment | 554 | 518 | 1,104 | 1,024 |
| - right-of-use assets | 452 | - | 1,586 | - |
| Amortisation of: | | | | |
| - intangible assets | 129 | 140 | 266 | 286 |
| - prepaid land lease payments | 1 | 1 | 2 | 2 |
| Allowance for impairment: | | | | |
| - insurance receivables | 125 | (120) | 125 | - |
| Write back in allowance for impairment: | | | | |
| - insurance receivables | 90 | (291) | - | (1,023) |
| - trade receivables | - | - | (2) | - |
| Loss on fair value of investments held at fair value through profit or loss | 8,046 | (142) | 7,230 | 1,658 |
| Gain on disposal of investments | (494) | (79) | (817) | (79) |
| Loss on disposal of associated company | 338 | - | 338 | - |
| Gain on derecognition of right-of-use assets | - | - | (318) | - |
| Unrealised foreign exchange (gains)/losses (net) | (4,487) | 628 | (5,328) | 2,565 |
| Realised foreign exchange losses/(gains) (net) | 1 | 38 | (7) | 39 |
| Interest income | (103) | (171) | (240) | (270) |
| Rental income | - | (1) | - | (2) |

There were no (i) write off of inventories, (ii) gain or loss on derivatives and (iii) exceptional items for the current quarter and period ended 31 March 2020.

BY ORDER OF THE BOARD
YONG KIM FATT
Company Secretary
Kuala Lumpur

4 June 2020