A. Notes To The Condensed Consolidated Interim Financial Statements For The Year Ended 30 September 2023

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 2022.

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 2022 except for the adoption of the following Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are mandatory for annual periods beginning on or after 1 January 2022.

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

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 16	Leases (Annual Improvements to MFRS Standards 2018-2020)
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018-2020)

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

A2. MFRSs and Amendments to MFRSs yet to be effective

Effective for financial periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	Income Taxes – International Tax Reform – Pillar Two Model Rules

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	Leases – Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements – Non-current Liabilities with Covenants
Amendments to MFRS 107	Statement of Cash Flows - Supplier Finance Arrangements
Amendments to MFRS 7	Financial Instruments: Disclosures - Supplier Finance Arrangements

Effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121	The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)

A2. MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

Effective date to be announced by Malaysian Accounting Standard Board

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

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

- MFRS 17: Insurance Contracts and Amendments to MFRS 17

  MASB has issued MFRS 17 Insurance Contracts ("MFRS 17"), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which will replace MFRS 4 Insurance Contracts ("MFRS 4") upon adoption. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The Group will be applying MFRS 17 for the first time in the upcoming financial year ending 30 September 2024. Accordingly, it will restate comparative information for the financial year ended 30 September 2023, including the opening balance as at 1 October 2022, by applying the transitional provisions of MFRS 17.

  The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition.

  The MFRS 17 general measurement model requires insurance contract assets or liabilities to be measured using:

  - Probability-weighted estimates of future cash flows;
  - Discounting;
  - Separate specific embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and account for them in accordance with other applicable MFRS or IFRS;
  - A risk adjustment for non-financial risk; and
  - A contractual service margin ("CSM") representing the unearned profit that will be recognised over the coverage period.

  MFRS 17 is a principal-based accounting standard and the valuation of insurance contract assets or liabilities will continue to be the largest area of estimation uncertainty. This will, however, include additional elements such as the consideration of the cashflows within the contract boundary, discounting and the risk adjustment calculations. There are a number of accounting policy choices that are allowed under the standard and this will require the application of judgement in interpreting the standard in areas such as determining the applicable measurement model, the approach to discounting and the level of aggregation.

A2. MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

The adoption of the above MFRSs and Amendments to MFRSs is not expected to result in significant financial impact to the Group, except as disclosed below: (Cont'd)

- <u>MFRS 17: Insurance Contracts and Amendments to MFRS 17 (Cont'd)</u>

  Under MFRS 17, insurance contracts that are subject to similar risks and that are managed together are classified into a portfolio of insurance contracts. Each portfolio of insurance contracts is then divided into a minimum of three groups:

  - A group of contracts that are onerous at initial recognition;
  - A group of contracts that at initial recognition have no significant possibility of becoming onerous; and
  - A group of the remaining contracts in the portfolio.

The Group will recognise profits from the group of insurance contracts that at initial recognition have no significant possibility of becoming onerous and from the group of remaining contracts in the portfolio over each period the Group provides insurance coverage, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e., loss making) at initial recognition, the Group will recognise the loss immediately in the statement of comprehensive income. In the statement of financial position, the Group would be required to recognise a loss component immediately in the income statement. A loss recovery component will be recognised if there is appropriate reinsurance coverage in place.

During the implementation period of MFRS 17, the Group has determined that insurance contracts issued and reinsurance contracts held by it are eligible for the Premium Allocation Approach ("PAA"), a simplified approach mainly for insurance and reinsurance contracts with a coverage period (i.e., contract boundaries) of 12 months or less, or for policies with contract boundaries of more than 12 months but which are able to pass the PAA eligibility test.

The PAA simplifies the measurement of LRC, replacing the fulfilment cashflow plus contractual service margin ("CSM") approach of the General Measurement Model ("GMM") with a measurement based on premiums received less acquisition costs and less those recognised through revenue. For gross insurance contracts measured under the PAA, acquisition cash flows can be recognised as an expense when incurred or included in the cash flows in the measurement of the LRC. The Group will include the cash flows in the measurement of the LRC and amortise them over the coverage period. For insurance and reinsurance contracts held, the measurement of the carrying amount of the asset for remaining coverage is simplified instead of adjusting the contractual service margin.

A2. MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

The adoption of the above MFRSs and Amendments to MFRSs is not expected to result in significant financial impact to the Group, except as disclosed below: (Cont'd)

- MFRS 17: Insurance Contracts and Amendments to MFRS 17 (Cont'd)

As not all cash flows are expected to be paid or received in one year or less from the date claims are incurred, the Group is required to discount the estimate of future cash flows included in the liability for incurred claims ("LIC"). The Group will apply the bottom-up discount rates approach when deriving its discount rates for discounting the LIC. This approach requires the use of an appropriate (liquid) risk-free yield curve plus a specific illiquidity premium (if any) above the risk-free yield curve. The Group has elected to recognise changes in the effect of discounting as part of insurance finance income or expense in the statement of comprehensive income. Yield curve information will be sourced from a third-party service provider.

A risk adjustment for non-financial risk will be determined to reflect the compensation that the Group would require for bearing the uncertainty about the amount and timing of the cash flows that arise as the Group fulfils the contracts. The risk adjustment for non-financial risk for the expired LIC and LRC under MFRS 17 will be computed using an approach similar to the Provision of Risk Margin for Adverse Deviation ("PRAD") under MFRS 4 as required when computing insurance contract liabilities under the Risk-based Capital Framework as issued by Bank Negara. The fundamentals of reserving for insurance contract liabilities remain the largely the same and accordingly, a similar approach would be adopted in setting the confidence level.

The presentation of the income statement and statement of comprehensive income will change significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the income statement.

Instead, the income statement will reflect the following items from the financial year ending 30 September 2024, together with a restated income statement under MFRS 17 for the year ended 30 September 2023:

- Insurance revenue
- Insurance service expenses
- Insurance service results
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

A2. MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

The adoption of the above MFRSs and Amendments to MFRSs is not expected to result in significant financial impact to the Group, except as disclosed below: (Cont'd)

- <u>MFRS 17: Insurance Contracts and Amendments to MFRS 17 (Cont'd)</u>

  MFRS 17 will also require more extensive disclosure requirements compared to MFRS 4. The Group will provide both qualitative and quantitative disclosure about insurance contracts in the following areas:

  - Explanation of the amounts recognised in the Group's financial statements arising from insurance contracts;
  - Significant judgements, and changes in those judgements, when applying MFRS 17; and
  - The nature and extent of risks that arise from contracts within the scope of MFRS 17.

  As MFRS 17 is applied retrospectively, the Group determined the transition approach depending on availability of reasonable and supportable historic information. At this juncture, the Group has ascertained that it will apply the full retrospective approach ("FRA") to all portfolios of insurance contracts, having considered the availability of data and effort required.

  The impacts of adopting MFRS 17 to opening balances as at 1 October 2022 and the comparatives as at and for the year ended 30 September 2023 are currently being finalised after having considered all technical requirements, the relevance of the measurement approaches and transition considerations, amongst others during the implementation period.

  MFRS 17 will provide enhanced disclosures to enable to readers to understand insurance contracts issued by the Group, including a clearer delineation of how the Group has performed in both underwriting and investments activities. As the Group qualifies to apply the PAA approach to its liability for remaining coverage, in which such measurement model is similar to the unearned premium reserves ("UPR") approach that is currently used under MFRS 4, the overall impact of adopting MFRS 17 is not expected to have a significant impact on its results.

  MFRS 17 will create timing differences (as discussed above on onerous losses and discounting) in how insurance contracts are recognised over their lifetime. This may impact the financial reporting period in which profits are recognised but will not amend the overall profitability of the insurance contract. There is no change in the Group's underwriting strategy, fundamentals or risk appetite as a result of adopting MFRS 17. The Group also expects that there will not be any significant impacts to the capital requirements upon adoption of MFRS 17. It is also expected that there will be no significant impacts to the business, financial strength, claims paying ability, or dividend paying capacity of the Group. Accordingly, it is anticipated that at this juncture, there will not be any significant changes to the business strategies of the Group. The Group will continue to monitor this matter.

A2. MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

The adoption of the above MFRSs and Amendments to MFRSs is not expected to result in significant financial impact to the Group, except as disclosed below: (Cont'd)

- MFRS 17: Insurance Contracts and Amendments to MFRS 17 (Cont'd)

  The Group is currently finalising the implementation of MFRS 17 and will be fully compliant with the requirements of the Standard by 30 September 2024.

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 other than as disclosed in Note A16.

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 year ended 30 September 2023, 605,000 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 various exercise prices from RM0.73, RM0.84, RM0.89, and RM0.95 per share. Details of the issued and paid-up capital of the Company as at 30 September 2023 are as follows:

	No. of shares	RM'000
As at 1 October 2022	287,988,333	148,293
Ordinary shares issued pursuant to the ESOS	605,000	581 [1]
As at 30 September 2023	288,593,333	148,874

[1] Includes capitalisation of share option reserves of RM51,792.

(ii) Share buy-back

On 8 March 2023, the shareholders approved the renewal of the Company's plan to purchase its own ordinary shares. There was no purchase or resale of treasury shares during the period under review.

Of the total 288,593,333 issued and fully paid ordinary shares as at 30 September 2023, 19,303,493 are held as treasury shares by the Company. The number of outstanding ordinary shares in issue and fully paid after deduction of treasury shares is therefore 269,289,840 ordinary shares.

(iii) There were no issuance or repayment of debt securities during the period under review.

A8. Material Events Subsequent to End of Reporting Period

(a) Exercise of ESOS options

On 24 October 2023, Mr Chan Thye Seng, the managing director and chief executive officer of the Company, exercised 4,000,000 ESOS options for a total consideration of RM3,136,000.

On 10 November 2023, Ms Chan Cheng Sim, an employee within the Group and daughter of the Chairman of the Company, Mr Chan Hua Eng, exercised 1,275,000 ESOS options for a total consideration of RM1,134,750.

Consequently, the issued and paid-up ordinary share capital of the Company increased from 288,593,333 to 293,868,333 shares. This increase is not reflected in the balance sheet as of 30 September 2023, but will be accounted for in the equity section of the financial statements for the next financial year ending 30 September 2024.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company from the date of issue.

(b) Treasury Share Resale

Subsequent to the financial year-end, the Company resold 4,807,700 of the total 19,303,493 treasury shares held by the Company for a total consideration of RM4,703,685 (after deducting transaction costs) in the open market at an average price of RM0.98 per share. This transaction resulted in a deficit of RM325,174, which will be debited to the retained profits for the next financial year ending 30 September 2024. The balance of treasury shares held by the Company subsequent to the above resale is now 14,495,793 shares.

The number of outstanding ordinary shares in issue and fully paid, subsequent to the exercise of ESOS options, resale of treasury shares and after deducting the remaining balance of treasury shares is therefore 284,180,240 ordinary shares.

A9. Effect of Changes in Composition of the Group

There were no changes in the composition of the Group for the period ended 30 September 2023 except for the acquisition of a subsidiary company - Acumentive Limited as disclosed in Note A16(ii).

Pacific & Orient Berhad
Registration No: 199401022687 (308366-H)

A10. Segment Information

	Insurance RM'000	Information Technology RM'000	Investment Holding RM'000	Investment in Start-ups RM'000	Property develop-ment RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
Year to date ended								
30 September 2023								
REVENUE								
External sales	269,498	10,910	664	-	-	33	-	281,105
Inter-segment sales	243	24,015	35,633	-	-	205	(60,096)	-
Total segment Revenue	269,741	34,925	36,297	-	-	238	(60,096)	281,105
RESULTS								
Segment (loss)/profit	(6,253)	(4,251)	26,891	(7,361)	(5,666)	110	(20,326)	(16,856)
Share of losses of associated companies	-	-	-	(2,084)	-	-	-	(2,084)
Segment (loss)/profit before tax after accounting for :	(6,253)	(4,251)	26,891	(9,445)	(5,666)	110	(20,326)	(18,940)
Interest income	-	368	-	669	-	-	(122)	915
Finance cost	(307)	(4,822)	(884)	(5,182)	119	-	10,183	(893)
Depreciation	(3,612)	(2,726)	(530)	(541)	(818)	-	1,626	(6,601)
Amortisation	(274)	(509)	(7)	(3)	-	-	73	(720)
Unrealised foreign exchange gains/(losses)	-	1,842	8,859	129	2	(3)	-	10,829
Gain/(loss) on fair value of investments held at fair value through profit or loss	1,908	-	123	(240)	-	-	-	1,791

A10. Segment Information (Cont'd.)

	Insurance RM'000	Information Technology RM'000	Investment Holding RM'000	Investment in Start-ups RM'000	Property develop-ment RM'000	Others RM'000	Consolidation adjustments RM'000	Group RM'000
Year to date ended								
30 September 2022								
REVENUE								
External sales	299,538	10,767	825	-	-	245	-	311,375
Inter-segment sales	261	21,221	63,540	-	-	166	(85,188)	-
Total segment Revenue	299,799	31,988	64,365	-	-	411	(85,188)	311,375
RESULTS								
Segment profit/(loss)	3,269	(678)	28,736	42,744	(1,855)	329	(13,609)	58,936
Share of losses of associated companies	-	-	-	(2,170)	-	-	-	(2,170)
Segment profit/(loss) before tax after accounting for :	3,269	(678)	28,736	40,574	(1,855)	329	(13,609)	56,766
Interest income	-	341	-	723	-	-	(161)	903
Finance cost	(4,364)	(4,467)	(2,237)	(5,045)	(488)	-	11,745	(4,856)
Depreciation	(3,923)	(2,557)	(406)	(533)	(387)	-	1,289	(6,517)
Amortisation	(357)	(132)	(14)	(2)	-	-	75	(430)
Unrealised foreign exchange gains	-	2,137	3,535	1,525	-	-	1,363	8,560
Loss on fair value of investments held at fair value through profit or loss	(3,652)	-	(877)	(2,403)	-	-	-	(6,932)
Gain on disposal of an associated company	-	-	-	70,928	-	-	705	71,633
Allowance for impairment:								
- investment in an associated company	-	-	-	(9,429)	-	-	7,024	(2,405)
- amount due from an associated company	-	-	-	(16,133)	-	-	-	(16,133)

A11. Changes in Contingent Assets and Contingent Liabilities

The Group does not have any contingent assets since financial year ended 30 September 2022.

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

		As at 30 Sept 2023 RM'000	As at 30 Sept 2022 RM'000
(i)	Performance guarantees - secured	262	397

(ii) On-going litigation

On 10 August 2016, the Malaysia Competition Commission ("MyCC") launched an investigation into Persatuan Insurans Am Malaysia ("PIAM") and its 22 members, which includes the insurance subsidiary company (Pacific & Orient Insurance Co. Berhad), for allegedly violating the Competition Act 2010 by making an agreement with the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") regarding trade discount rates for certain vehicle parts and labour hour rates for workshops.

After considering written and oral representations from various parties, MyCC issued a final decision against PIAM and its members on 14 September 2020 and imposed financial penalties of RM173,655,300 on all 22 insurance companies, including the insurance subsidiary company, with a 25% reduction due to the COVID-19 pandemic.

The insurance subsidiary's share of the financial penalty was RM1,581,339, net of 25% discount granted arising from the COVID-19 pandemic.

PIAM and its 22 members appealed against the decision, and on 2 September 2022, the Competition Appeal Tribunal ("CAT") unanimously overturned MyCC's decision and financial penalties.

However, MyCC filed an application for judicial review proceedings in the High Court, with a hearing scheduled on 8 May 2023.

On 8 May 2023, the High Court adjourned the matter to enable PIAM and the insurers to file their affidavits in reply by 22 May 2023 and MyCC to file its affidavit in reply by 6 June 2023. The High Court also directed both parties to file their further affidavits, if needed, and also to file written submissions by 10 August 2023 and replies to the written submissions, if any, by 1 September 2023.

MyCC's application for leave to commence judicial review proceedings in the High Court to review the decision of the CAT was fixed for 30 November 2023.

As of the date of this report, the Group has not made any provisions regarding this ongoing litigation.

A12. Capital Commitments

The amount for capital commitments not provided for as at 30 September 2023 are as follows:

	As at 30 Sept 2023 RM'000	As at 30 Sept 2022 RM'000
Contracted but not provided for:		
Property development costs	248,698	-
Intangible assets	289	-
	248,987	-

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		
	30 Sept 2023 RM'000	30 Sept 2022 RM'000	
(a) Substantial shareholders of the Insurance subsidiary company - Expenditure:			
Product and pricing services	252	252	(i)
(b) Associated companies - Advances:			
(Repayment from)/advances to associated companies by a foreign subsidiary company	(7,165)	7,619	(ii)

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

As at 30 September 2023, 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 shareholders at the Annual General Meeting on 20 February 2019, and took effect on 17 June 2019. The ESOS was in force for an initial period of up to five years, expiring on 16 June 2024. The Directors of the Company had on 16 August 2023, extended the duration of the ESOS for an additional five years from 17 June 2024 to 16 June 2029 in accordance with the terms of the ESOS By-Laws.

The extension was made to allow existing employees whose ESOS options have vested with additional time to exercise their options as well as to allow an opportunity for eligible employees who had contributed to the growth and development of the Group to participate in the scheme.

The fair values of share options were 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 RM0.075 and RM0.117 per share.

The movements in share options pursuant to the ESOS during the financial year ended 30 September 2023 and 30 September 2022 are as follows:

<u>2023</u>

			<-------------------------------- Number of Options ------------------------------------->					
Grant Date	Extended Expiry Date	Exercise Price	Outstanding as at 1 Oct 2022	Granted	Forfeited	Exercised	Outstanding as at 30 Sept 2023	Vested and exercisable as at 30 Sept 2023
13 Sept 2019	16 June 2029	RM0.89	17,242,000	-	(1,103,000)	(521,000)	15,618,000	15,618,000
28 Sept 2020	16 June 2029	RM0.73	3,934,000	-	(70,000)	(50,000)	3,814,000	3,814,000
30 Sept 2021	16 June 2029	RM0.84	75,000	-	(40,000)	(28,000)	7,000	7,000
30 Sept 2022	16 June 2029	RM0.95	1,616,000	-	(31,000)	(6,000)	1,579,000	1,579,000
30 Sept 2023	16 June 2029	RM0.92	-	629,000	-	-	629,000	251,000
			22,867,000	629,000	(1,244,000)	(605,000)	21,647,000	21,269,000
Weighted average share price (RM)			RM0.87	RM0.92	RM0.88	RM0.88	RM0.87	RM0.87

<u>2022</u>

			<-------------------------------- Number of Options ------------------------------------->					
Grant Date	Expiry Date	Exercise Price	Outstanding as at 1 Oct 2021	Granted	Forfeited	Exercised	Outstanding as at 30 Sept 2022	Vested and exercisable as at 30 Sept 2022
13 Sept 2019	16 June 2024	RM0.89	18,569,000	-	(432,000)	(895,000)	17,242,000	14,972,000
28 Sept 2020	16 June 2024	RM0.73	4,256,000	-	(322,000)	-	3,934,000	3,007,500
30 Sept 2021	16 June 2024	RM0.84	244,000	-	(150,000)	(19,000)	75,000	49,000
30 Sept 2022	16 June 2024	RM0.95	-	1,616,000	-	-	1,616,000	847,000
			23,069,000	1,616,000	(904,000)	(914,000)	22,867,000	18,875,500
Weighted average share price (RM)			RM0.86	RM0.95	RM0.82	RM0.89	RM0.87	RM0.87

A15. Employees' Share Option Scheme (Cont'd.)

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

	Year To Date	
	30 Sept 2023 RM'000	30 Sept 2022 RM'000
Share options reserve at 1 October 2022/2021	1,865	1,737
Option charge recognised from share options granted	140	273
Option charge relating to forfeiture of ESOS	(102)	(66)
Option exercised during the period	(52)	(79)
Share options reserve at 30 September 2023/2022	1,851	1,865

A16. Significant Events

(i) Disposal of ordinary shares of Ancom Nylex Berhad (formerly known as Ancom Berhad)

The Group has disposed an aggregate of 47,730,000 ordinary shares of Ancom Nylex Berhad ("Ancom Shares") for a total gross consideration of RM44,238,000 on Bursa Malaysia Securities Berhad via open market and direct business transactions from 17 November 2022 to 25 September 2023. Prior to the disposal, the Ancom Shares were classified as financial assets at fair value through other comprehensive income ("FVOCI") and had been stated at fair value at each reporting date.

The fair value loss in respect of the disposed shares, that arose during the current financial year and which was recognised in the statement of other comprehensive income up to the date of disposal, amounted to RM1,106,000 for the Group.

Arising from the disposal, the accumulated gain recognised in FVOCI reserve of the Group of RM34,737,000 in relation to this tranche of shares disposed has been transferred to retained profits during the financial year ended 30 September 2023.

A16. Significant Events (Cont'd.)

(ii) Acquisition of a subsidiary company – Acumentive Ltd ("Acumentive")

Pacific & Orient Properties Ltd., a wholly-owned subsidiary within the Group, had on 27 December 2022 acquired an additional 68.48% equity interest in Acumentive, comprising 100,000 ordinary shares for a cash consideration of GBP1,253,000 (approximately RM6,667,000) ("the Acquisition"). Pursuant to the Acquisition, the Group's effective interest in Acumentive increased from 31.52% to 100.00%. Consequently, Acumentive ceased to be an associated company and has become a wholly-owned subsidiary within the Group.

As allowed by MFRS 3 Business Combinations, at the date of this report, the Group is in the process of assessing and finalising the acquisition accounting arising from this business combination. The fair values of assets and liabilities acquired as of 30 September 2023 are consolidated based on provisional fair values as the purchase price allocation ("PPA") exercise and allocation of goodwill to specific cash generating units ("CGU") have yet to be completed. The Group anticipates being able to complete the PPA and allocation of goodwill exercise not exceeding one year from the date of acquisition. Upon the completion of this exercise, the carrying amount of the residual goodwill will be adjusted accordingly on a retrospective basis.

The following summarises the total consideration transferred, and the fair values of the identifiable assets acquired, and liabilities assumed of Acumentive at the acquisition date:

(a) Identified assets acquired and liabilities assumed

	RM'000
Property, plant and equipment	78
Intangible assets	1,606
Cash and bank balances	732
Total assets	2,416
Deferred tax liabilities	(18)
Trade and other payables	(5,628)
Borrowings	(195)
Total liabilities	(5,841)
Total identifiable net liabilities acquired	(3,425)

(b) Net cash outflow arising from the Acquisition

	RM'000
Purchase consideration settled in cash and cash equivalents	6,667
Less: Cash and bank balances acquired	(732)
	5,935

A16. Significant Events (Cont'd.)

(ii) Acquisition of a subsidiary company (Cont'd.)

(c) Loss on remeasurement of previously held interests

	RM'000
Carrying amount of 31.52% previously held interests as at 27 December 2022	4,465
Less: Fair value of 31.52% previously held interests	(3,069)
Loss on remeasurement of previously held interests	1,396

(d) Goodwill on consolidation

	RM'000
Fair value of consideration transferred	6,667
Fair value of previously held interest	3,069
	9,736
Add: Fair value of identifiable net liabilities	3,425
Goodwill on consolidation	13,161

The goodwill of RM13,161,000 comprises the value of expected synergies arising from the Acquisition through enhanced product offerings by combining the Group's existing hardware and software solutions with the acquired real-time asset tracking and management system. Additionally, it encompasses the ability to cross-sell the Group's existing IT products to Acumentive's customer base and vice versa, as well as technology integration. None of the goodwill recognised is expected to be deductible for income tax purposes.

B. Additional Notes Pursuant To The Main Market Listing Requirements of Bursa Malaysia For The Year Ended 30 September 2023

B1. Review of Results

Financial review for current quarter and year to date

	Individual Period				Cumulative Period			
	Current Year Quarter Ended 30 Sept 2023 RM'000	Preceding Year Corresponding Quarter Ended 30 Sept 2022 RM'000	Changes (Amount) RM'000	Changes (%)	Current Year To-date Ended 30 Sept 2023 RM'000	Preceding Year Corresponding Period Ended 30 Sept 2022 RM'000	Changes (Amount) RM'000	Changes (%)
Revenue	68,533	76,391	(7,858)	(10%)	281,105	311,375	(30,270)	(10%)
Operating (loss)/profit	(7,771)	13,881	(21,652)	(156%)	(15,963)	63,792	(79,755)	(125%)
(Loss)/profit before tax	(8,838)	13,813	(22,651)	(164%)	(18,940)	56,766	(75,706)	(133%)
(Loss)/profit after tax	(11,222)	13,103	(24,325)	(186%)	(21,223)	55,610	(76,833)	(138%)
(Loss)/profit attributable to equity holders of the Company	(11,699)	10,365	(22,064)	(213%)	(17,886)	54,482	(72,368)	(133%)

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

Group revenue was RM68,533,000 compared to RM76,391,000 in the preceding year corresponding quarter. A loss before tax of RM8,838,000 was reported compared to a pre-tax profit of RM13,813,000 in the preceding year corresponding quarter.

Insurance segment – Revenue decreased by RM7,633,000 to RM66,171,000 for the current quarter compared to the preceding year corresponding quarter. The decrease was primarily due to lower gross earned premium. Consequently, a lower profit before tax of RM2,203,000 was reported for the current period as compared to a pre-tax profit of RM6,915,000 in the preceding year corresponding quarter.

Information technology (IT) segment – Revenue increased by RM595,000 to RM8,557,000 for the current quarter compared to the preceding year corresponding quarter, primarily due to higher income from hardware sales. However, a loss before tax of RM3,381,000 was reported for the current quarter as compared to a pre-tax profit of RM1,310,000 in the preceding year corresponding quarter. This was mainly due to higher staff costs and the absence of a write-back of allowance for impairment in trade receivables during the current quarter, in contrast to a write-back of RM1,867,000 in the preceding year corresponding quarter.

Investment in start-ups segment – Loss before tax of RM2,754,000 was reported for the current quarter as compared to a pre-tax profit of RM1,296,000 in the preceding year corresponding quarter. The pre-tax loss was mainly due to absence of a realised foreign exchange gain during the current period, in contrast to RM5,594,000 recorded in the preceding year's corresponding quarter.

B1. Review of Results (Cont'd.)

Financial Review for Current Quarter compared with Preceding Year Corresponding Quarter (Cont'd.)

Property development segment – A loss before tax of RM2,639,000 was reported for the current quarter, as compared to a pre-tax loss of RM606,000 in the corresponding quarter of the preceding year. The increase was primarily due to higher operating expenditures incurred for the property development project in the United States, which commenced in October 2022.

Current Year compared with Preceding Year Corresponding Period

Group revenue was RM281,105,000 compared to RM311,375,000 in the preceding year corresponding period. A loss before tax of RM18,940,000 was reported, compared to pre-tax profit of RM56,766,000 in the corresponding period of the preceding year. The pre-tax loss of RM18,940,000 was mainly due to a decrease in gross earned premium at the insurance subsidiary company.

Insurance segment - Revenue declined by RM30,058,000 to RM269,741,000 in the current period compared to the preceding year. This decrease was primarily due to a reduction in gross earned premiums. A loss before tax of RM6,253,000 was reported for the current period, in contrast to a pre-tax profit of RM3,269,000 in the previous year's corresponding period. The loss was mainly attributed to the decreased revenue but was partially offset by increased gains from the disposal of investments, lower claims incurred, and the absence of interest expense due to the maturity of the insurance subsidiary's subordinated note in the previous year's corresponding period.

Information technology (IT) segment – Revenue increased by RM2,937,000 to RM34,925,000 for the current period compared to the preceding year corresponding period, principally due to higher income from sales of software products. However, a higher pre-tax loss of RM4,251,000 was reported in the current period as compared to a pre-tax loss of RM678,000 in the preceding year corresponding period. The increase was principally due to the lower write back of allowance of trade receivables of RM825,000 during the current period, compared to RM1,867,000 in the preceding year corresponding period.

Investment in start-ups segment – Loss before tax of RM9,445,000 was reported for the current period as compared to a pre-tax profit of RM40,574,000 in the preceding year corresponding period. This was principally due to the absence of gain on disposal of an associated company in the current period. In the preceding year corresponding period, the Group recorded a gain on disposal of an associated company of RM70,928,000.

B1. Review of Results (Cont'd.)

Current Year compared with Preceding Year Corresponding Period (Cont'd.)

Property development segment – During the current period, a pre-tax loss of RM5,666,000 was reported, compared to a pre-tax loss of RM1,855,000 in preceding year corresponding period. The increase was mainly due to operating expenditures incurred for the property development project in the United States, which commenced in October 2022.

Consolidated Statement of Comprehensive Income

The Group's total other comprehensive loss for the current period ended 30 September 2023 amounted to RM1,014,000 as compared to a total other comprehensive income of RM14,561,000 in the preceding year corresponding period. The decrease was mainly due to the fair value loss on quoted shares designated as FVOCI during the current period of RM72,000, compared to a fair value gain on quoted shares designated as FVOCI of RM16,802,000 during the previous year corresponding period.

Consolidated Statement of Financial Position

The Group's total assets as at 30 September 2023 was RM1,074,478,000, a decrease from RM1,088,071,000 as of 30 September 2022. The decrease was mainly due to reduction in cash and bank balances and deposits and placements with financial institutions arising from settlement of insurance contract liabilities.

The Group's total liabilities as at 30 September 2023 was RM636,885,000, an increase from RM616,002,000 as of 30 September 2022. The increase was principally due to increase in the Group bank borrowings.

The Group's equity attributable to equity holders of the Company was RM326,062,000 as at 30 September 2023 compared to RM349,739,000 as of 30 September 2022. The decrease was mainly due to lower FVOCI reserve arising from fair value losses on quoted shares designated as FVOCI in the current year.

B1. Review of Results (Cont'd.)

Consolidated Statement of Cash Flows

The Group's cash and cash equivalents as at 30 September 2023 was RM39,115,000.

The net cash used in operating activities of RM103,112,000 arose mainly from the additional direct expenditure of land held for development. The net cash generated from investing activities of RM26,329,000 was mainly from disposal of investments. The net cash generated in financing activities of RM7,455,000 was principally due to the increase in bank borrowings.

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

	Current Quarter 30 Sept 2023 RM'000	Immediate Preceding Quarter 30 June 2023 RM'000	Changes (Amount) RM'000	Changes (%)
Revenue	68,533	66,493	2,040	3%
Operating (loss)/profit	(7,771)	7,676	(15,447)	(201%)
(Loss)/profit before tax	(8,838)	6,818	(15,656)	(230%)
(Loss)/profit after tax	(11,222)	6,508	(17,730)	(272%)
(Loss)/profit attributable to equity holders of the Company	(11,699)	8,282	(19,981)	(241%)

Group revenue was RM68,533,000 compared to RM66,493,000 reported in the immediate preceding quarter. Loss before tax of RM8,838,000 was recorded compared to pre-tax profit of RM6,818,000 in the immediate preceding quarter. The pre-tax loss was mainly due to unrealised foreign exchange loss recorded during the current quarter, as compared to an unrealised foreign exchange gain of RM15,230,000 recorded in the immediate preceding quarter. The unrealised foreign exchange differences in both periods primarily arose from loans for investments in foreign start-ups and property development purposes within the Group.

Insurance segment – Revenue increased by RM2,463,000 to RM66,171,000 for the current quarter compared to the immediate preceding quarter, primarily due to increase gross earned premium. A profit before tax of RM2,203,000 was reported for the current quarter as compared to a pre-tax loss of RM3,412,000 in the immediate preceding quarter, mainly due to better underwriting results.

IT segment – Revenue decreased by RM586,000 to RM8,557,000 for the current quarter mainly due to lower income from software customisation services. A loss before tax of RM3,381,000 was reported for the current quarter as compared to a pre-tax profit of RM1,594,000 in the immediate preceding quarter. This was mainly due to unrealised foreign exchange loss recorded in the current quarter, compared to an unrealised foreign exchange gain recorded in the immediate preceding quarter.

B2. Current Quarter compared with Immediate Preceding Quarter's Results (Cont'd.)

Investment in start-ups segment – Loss before tax of RM2,754,000 was reported for the current quarter as compared to a pre-tax loss of RM1,230,000 in the immediate preceding quarter. The increase in pre-tax loss was mainly attributed to an unrealised foreign exchange loss in the current quarter, as opposed to an unrealised foreign exchange gain in the immediate preceding quarter.

Property development segment – Loss before tax of RM2,639,000 was reported for the current quarter as compared to a pre-tax loss of RM939,000 in the immediate preceding quarter. The increase was principally due to higher operating expenses incurred in the current quarter.

B3. Current Year Prospects

The Group continues to navigate a challenging business environment characterised by escalating tensions in the Middle East, the ongoing Russia-Ukraine conflict and trade tensions between China and the USA. These global uncertainties contribute to increased complexities in the financial landscape within which the Group operates. The impacts are diverse, encompassing fluctuations in foreign exchange rates, posing risks that could influence the cost of materials, and further exacerbating the already high operational expenses for the Group.

The liberalisation of the local insurance industry continues to pose challenges, especially with intense competition. The Group is actively focused on developing new products and leveraging technology to promote fresh sales channels, streamline operations, and enhance customer services.

The IT division similarly encountered strong competition. Ongoing efforts are directed towards enhancing customer interactions through improved service quality and responsiveness.

The US property development project is experiencing rising costs due to geo-political conflicts, and high-interest rates. To address these challenges, the Group is actively managing costs, continuing to pursue property sales, and exploring financial strengthening measures.

Acknowledging the prevailing uncertainties stemming from local and global events that are adversely impacting the global economy including Malaysia, the Board remains vigilant in addressing the challenges and performance throughout the financial year ending 30 September 2024.

B4. Profit Forecast and Profit Guarantee

No forecast has been issued by the Group for the year ended 30 September 2023.

B5. Taxation

The taxation figures include the following:

	Quarter Ended		Year To Date	
	30 Sept 2023	30 Sept 2022	30 Sept 2023	30 Sept 2022
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Current year's provision				
- Malaysian tax	171	1,910	195	2,738
- (Over)/under provision in prior years	(75)	-	1,153	(207)
	96	1,910	1,348	2,531
Deferred tax:				
- Relating to timing differences	2,288	(1,200)	921	(1,365)
- Under/(over) provision in prior years	-	-	14	(10)
	2,288	(1,200)	935	(1,375)
	2,384	710	2,283	1,156

The effective rates of taxation of the Group are 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. Material Litigation

As at 30 September 2023 there was no material litigation against the Group other than those arising in the normal course of the insurance subsidiary's business and as disclosed in Note A11(ii).

B8. Group Borrowings

	Secured/ Unsecured	Currency	As at 30 September 2023 Foreign Currency '000	As at 30 September 2023 RM equivalent RM'000	As at 30 September 2022 Foreign Currency '000	As at 30 September 2022 RM equivalent RM'000
Long term						
a. Lease liabilities	Secured	GBP	54	311	125	645
	Secured	Baht	7,091	908	5,474	667
	Secured	USD	6	29	10	46
	Secured	RM	-	4,108	-	4,727
				5,356		6,085
b. Bounce back loan [1]	Unsecured	GBP	19	110	-	-
Total Long Term Borrowings				5,466		6,085
Short term						
a. Lease liabilities	Secured	GBP	75	433	76	393
	Secured	Baht	3,136	401	2,909	354
	Secured	USD	165	771	112	519
	Secured	RM	-	3,366	-	3,234
				4,971		4,500
b. Revolving credit facilities	Secured	RM	-	10	-	10
	Unsecured	RM	-	27,000	-	1,000
				27,010		1,010
c. Term loan	Secured	USD	163	765	163	755
d. Bounce back loan [1]	Unsecured	GBP	10	57	-	-
Total Short Term Borrowings				32,803		6,265
Total				38,269		12,350

(1) The bounce back loan ("BBL") was assumed by the Group through acquisition of a subsidiary as disclosed in Note A16(ii). The BBL scheme is 100% guaranteed by the UK government as a means to support businesses during the COVID-19 pandemic and has a fixed interest rate of 2.5%. The BBL of the Group is repayable over 72 months until 17 August 2026.

B9. Dividends

	RM'000	Date of payment
In respect of financial year ended 30 September 2022:		
(i) A fifth interim single tier dividend of 1.20 sen per share declared on 21 October 2022	3,224	23 November 2022
In respect of financial year ending 30 September 2023:		
(ii) A first interim single tier dividend of 1.20 sen per share declared on 20 December 2022	3,226	20 January 2023
(iii) A second interim single tier dividend of 1.20 sen per share declared on 28 February 2023	3,228	28 March 2023
(iv) A third interim single tier dividend of 1.20 sen per share declared on 26 April 2023	3,230	25 May 2023
	12,908	

Other than as stated above, no further dividends were announced or declared.

The total single tier dividend in respect of the current year was 3.60 sen per share (Previous corresponding period: single tier dividend of 9.80 sen per share).

B10. (Loss)/Earnings Per Share

		Quarter Ended		Year To Date	
		30 Sept 2023	30 Sept 2022	30 Sept 2023	30 Sept 2022
Net (loss)/profit for the period (A)	(RM'000)	(11,699)	10,365	(17,886)	54,482
Weighted average number of ordinary shares in issue (B)	('000)	269,290	268,665	269,016	268,136
Weighted average number of ordinary shares for diluted (loss)/earnings per share (C) (See note below)	('000)	*(1)	271,804	*(1)	271,275
(Loss)/earnings per share:					
Basic (A ÷ B)	(sen)	(4.34)	3.86	(6.65)	20.32
Diluted (A ÷ C)	(sen)	*(1)	3.81	*(1)	20.08

Note:

		Quarter Ended		Year To Date	
Weighted average number of ordinary shares in issue	('000)	269,290	268,665	269,016	268,136
Effects of dilution of ESOS	('000)	*(1)	3,139	*(1)	3,139
Weighted average number of ordinary shares for diluted (loss)/earnings per share (C)	('000)	*(1)	271,804	*(1)	271,275

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

B11. (Loss)/Profit For The Year

	Quarter Ended		Year To Date	
	30 Sept 2023 RM'000	30 Sept 2022 RM'000	30 Sept 2023 RM'000	30 Sept 2022 RM'000
(Loss)/profit for the period is arrived at after charging/(crediting):				
Interest expense	191	211	723	4,646
Depreciation of:				
- property, plant and equipment	497	515	1,978	1,950
- right-of-use assets	1,205	1,061	4,623	4,567
Amortisation of intangible assets	176	29	720	430
(Write back of allowance for)/ allowance for impairment:				
- property, plant and equipment	-	(1,574)	-	(1,574)
- investment in an associated company	-	-	-	2,405
- amount due from an associated company	(156)	217	(398)	16,133
- insurance receivables	(166)	(1,073)	131	33
- trade receivables	8	(1,873)	(825)	(1,873)
- corporate debt securities	7	(52)	7	(52)
Inventories written off	12	27	12	27
Property, plant and equipment written off	74	11	95	11
Loss/(gain) on fair value of investments held at fair value through profit or loss (net)	4,130	(353)	(1,791)	6,932
Loss on remeasurement of previously held interests	-	-	1,396	-
Loss/(gain) on disposal of:				
- property, plant and equipment	-	5	68	6
- intangible assets	-	(15)	-	60
- investments (net)	(5,983)	31	(6,189)	(56)
- an associated company	-	(33)	-	(71,633)
Loss on fair value of investment property	-	10	-	10
Unrealised foreign exchange loss/(gain) (net)	2,476	(2,855)	(10,829)	(8,560)
Realised foreign exchange loss/(gain) (net)	2	(4,445)	1,003	(4,360)
Interest income	(123)	(328)	(914)	(903)

There were no (i) gain or loss on derivatives and (ii) exceptional items for the current quarter and year ended 30 September 2023.

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

29 November 2023