

Unaudited Condensed Interim Financial Statements

**For The Financial Period From
1 January 2021 To 30 June 2021**

BERJAYA SOMPO INSURANCE BERHAD
Registration No: 198001008821 (62605-U)
(Incorporated in Malaysia)

Contents	Page
Unaudited Condensed Interim Statements of Financial Position	1
Unaudited Condensed Interim Statements of Profit or Loss	2
Unaudited Condensed Interim Statements of Comprehensive Income	3
Unaudited Condensed Interim Statements of Changes in Equity	4 - 5
Unaudited Condensed Interim Statements of Cash Flow	6 - 7
Notes to the Unaudited Condensed Interim Financial Statements	8 - 24

BERJAYA SOMPO INSURANCE BERHAD
Registration No: 198001008821 (62605-U)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Group		Company	
		30.06.2021	31.12.2020	30.06.2021	31.12.2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment		88,616	89,295	88,616	89,295
Intangible assets		38,771	36,725	38,771	36,725
Investment properties	11	22,620	23,210	22,620	23,210
Right-of-use assets	12	818	1,030	818	1,030
Investments	13	1,837,346	1,870,720	1,919,794	1,892,782
Reinsurance assets	14	392,766	395,188	392,766	395,188
Insurance receivables	15	90,831	85,402	90,831	85,402
Other receivables	16	60,527	56,024	48,890	51,391
Deferred tax assets		8,235	2,418	5,965	-
Cash and cash equivalents		189,337	111,860	109,366	91,534
Non-current assets held for sale		494	-	494	-
TOTAL ASSETS		2,730,361	2,671,872	2,718,931	2,666,557
EQUITY					
Share capital		118,000	118,000	118,000	118,000
Available-for-sale fair value reserve		19,724	39,432	26,912	53,088
Retained profits		873,871	867,066	864,479	849,097
Equity attributable to owner of the Company		1,011,595	1,024,498	1,009,391	1,020,185
Non-controlling interests		3,712	2,773	-	-
TOTAL EQUITY		1,015,307	1,027,271	1,009,391	1,020,185
LIABILITIES					
Insurance contract liabilities	17	1,470,079	1,460,344	1,470,079	1,460,344
Lease liabilities	18	809	1,025	809	1,025
Deferred tax liabilities		-	-	-	1,895
Tax payable		21,871	12,229	21,871	12,229
Insurance payables	19	72,250	55,334	72,250	55,334
Other payables	20	150,045	115,669	144,531	115,545
TOTAL LIABILITIES		1,715,054	1,644,601	1,709,540	1,646,372
TOTAL EQUITY AND LIABILITIES		2,730,361	2,671,872	2,718,931	2,666,557

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS
FOR THE 6 MONTHS ENDED 30 JUNE 2021

		Group		Company	
		6 months ended	6 months ended	6 months ended	6 months ended
		30.06.2021	30.06.2020	30.06.2021	30.06.2020
	Note	RM'000	RM'000	RM'000	RM'000
Gross earned premiums		444,638	444,387	444,638	444,387
Earned premiums ceded to reinsurers		(97,332)	(79,105)	(97,332)	(79,105)
Net earned premiums		347,306	365,282	347,306	365,282
Investment income		26,236	30,441	25,368	29,866
Net realised gains		5,350	1,653	3,846	505
Fair value losses		(10,331)	(1,741)	(96)	(7,794)
Commission income		25,688	18,173	25,688	18,173
Other operating income		3,090	2,658	3,090	2,658
Other revenue		50,033	51,184	57,896	43,408
Gross claims paid	17(a)	(177,178)	(171,776)	(177,178)	(171,776)
Claims ceded to reinsurers	17(a)	36,253	30,861	36,253	30,861
Gross change in contract liabilities	17(a)	(1,998)	(31,023)	(1,998)	(31,023)
Change in contract liabilities ceded to reinsurers	17(a)	(10,541)	(18,306)	(10,541)	(18,306)
Net claims incurred		(153,464)	(190,244)	(153,464)	(190,244)
Commission expenses		(54,268)	(48,101)	(54,268)	(48,101)
Management expenses		(104,572)	(98,674)	(103,912)	(98,232)
Other expenses		(158,840)	(146,775)	(158,180)	(146,333)
Profit before tax		85,035	79,447	93,558	72,113
Tax expense		(17,996)	(13,662)	(17,996)	(13,662)
Net profit for the year		67,039	65,785	75,562	58,451
Earnings per share (sen)					
- Basic and Diluted	21	56.8	55.8	64.0	49.5

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 JUNE 2021

	Group		Company	
	6 months ended	6 months ended	6 months ended	6 months ended
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Note	RM'000	RM'000	RM'000	RM'000
Net profit for the year	67,039	65,785	75,562	58,451
Other comprehensive income:				
Items that may be reclassified to profit or loss in subsequent periods:				
Available-for-sale fair value reserve:				
Net (loss)/gain on fair value changes	(33,267)	9,677	(42,214)	17,005
Realised gain transferred to profit or loss	7,337	335	7,772	335
	(25,930)	10,012	(34,442)	17,340
Tax effects	6,223	(2,403)	8,266	(4,162)
	(19,707)	7,609	(26,176)	13,178
Total comprehensive income for the year	47,332	73,394	49,386	71,629
Profit attributable to:				
Equity holder of the Company	66,985	65,041	75,562	58,451
Non-controlling interests	54	744	-	-
	67,039	65,785	75,562	58,451
Total comprehensive income attributable to:				
Equity holder of the Company	47,278	72,650	49,386	71,629
Non-controlling interests	54	744	-	-
	47,332	73,394	49,386	71,629

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

BERJAYA SOMPO INSURANCE BERHAD
Registration No: 198001008821 (62605-U)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2021

Group	← Attributable to the owner of the Group →			Total equity RM'000	Non-Controlling Interest RM'000	Total equity RM'000
	Share capital RM'000	Non-distributable Available-for-sale fair value reserve RM'000	Distributable Retained profits RM'000			
At 1 January 2021	118,000	39,431	867,066	1,024,497	2,773	1,027,270
Net creation of units in subsidiaries	-	-	-	-	885	885
Net profit for the year	-	-	66,985	66,985	54	67,039
Other comprehensive income for the year	-	(19,707)	-	(19,707)	-	(19,707)
Total comprehensive income for the year	-	(19,707)	66,985	47,278	54	47,332
Dividend payable	-	-	(60,180)	(60,180)	-	(60,180)
At 30 June 2021	118,000	19,724	873,871	1,011,595	3,712	1,015,307
At 1 January 2020	118,000	22,979	796,641	937,620	422	938,042
Net creation of units in subsidiaries	-	-	-	-	-	-
Net profit for the year	-	-	65,041	65,041	744	65,785
Other comprehensive income for the year	-	7,609	-	7,609	-	7,609
Total comprehensive income for the year	-	7,609	65,041	72,650	744	73,394
Dividend payable	-	-	(41,300)	(41,300)	-	(41,300)
At 30 June 2020	118,000	30,588	820,382	968,970	1,166	970,136

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

BERJAYA SOMPO INSURANCE BERHAD
Registration No: 198001008821 (62605-U)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2021

Company	← Attributable to the owner of the Company →			
	Share capital RM'000	Non-distributable Available-for-sale fair value reserve RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 January 2021	118,000	53,088	849,097	1,020,185
Net profit for the year	-	-	75,562	75,562
Other comprehensive income for the year	-	(26,176)	-	(26,176)
Total comprehensive income for the year	-	(26,176)	75,562	49,386
Dividend payable	-	-	(60,180)	(60,180)
At 30 June 2021	118,000	26,912	864,479	1,009,391
At 1 January 2020	118,000	27,582	790,601	936,183
Net profit for the year	-	-	58,451	58,451
Other comprehensive income for the year	-	13,178	-	13,178
Total comprehensive income for the year	-	13,178	58,451	71,629
Dividend payable	-	-	(41,300)	(41,300)
At 30 June 2020	118,000	40,760	807,752	966,512

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

BERJAYA SOMPO INSURANCE BERHAD
Registration No: 198001008821 (62605-U)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOW
FOR THE 6 MONTHS ENDED 30 JUNE 2021

	Group		Company	
	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
<u>Operating activities</u>				
Profit before tax	85,035	79,447	93,558	72,113
Investment income	(27,490)	(29,752)	(25,368)	(28,246)
Amortisation of premium	1,254	933	1	2
Sundry income	(3,074)	(2,613)	(3,074)	(2,613)
Net realised gains on AFS investments	(3,846)	(505)	(3,846)	(505)
Gain on disposal of FVTPL financial assets	(1,504)	(1,148)	-	-
Fair value loss/(gain) on FVTPL financial assets recorded in profit or loss	10,235	(6,053)	-	-
Fair value loss on investment properties	96	-	96	-
Allowance for/(write-back of) impairment losses:				
Investments	-	7,794	-	7,794
Insurance receivables	(2,440)	(338)	(2,440)	(338)
Property and equipment written off	1	-	1	-
Depreciation of property and equipment	2,630	2,676	2,630	2,676
Depreciation of right-of-use assets	211	226	211	226
Lease interest expenses	14	21	14	21
Rent concessions	-	(24)	-	(24)
Amortisation of intangible assets	4,183	2,802	4,183	2,802
Operating cash flows before working capital changes	65,305	53,466	65,966	53,908
Decrease/(increase) in insurance receivable	(2,989)	(8,329)	(2,989)	(8,329)
Decrease/(increase) in other receivable	5,576	5,161	5,576	5,161
Decrease/(increase) in reinsurance assets	2,422	22,016	2,422	22,016
Increase/(decrease) in insurance contract liabilities	9,735	(6,461)	9,735	(6,461)
Increase/(decrease) in insurance payable	16,916	1,951	16,916	1,951
Increase/(decrease) in other payable	(26,308)	(17,956)	(31,214)	(17,952)
	5,352	(3,618)	446	(3,614)
Dividend/distribution income received	14,226	17,885	23,384	24,505
Interest income received	11,595	11,274	1,864	3,347
Rental income received	121	1,391	121	1,391
Income tax paid	(7,947)	(8,780)	(7,947)	(8,780)
Net cash flows generated from operating activities	88,652	71,618	83,834	70,757

UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOW (CONT'D)
FOR THE 6 MONTHS ENDED 30 JUNE 2021

	Group		Company	
	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2021 RM'000	6 months ended 30.06.2020 RM'000
<u>Investing activities</u>				
Purchase of property and equipment	(1,951)	(547)	(1,951)	(547)
Purchase of intangible assets	(6,230)	(4,653)	(6,230)	(4,653)
(Placements)/withdrawals of fixed deposits	93,780	(94,661)	93,780	(94,661)
Purchase of financial assets	(665,961)	(177,287)	(651,411)	(86,152)
Proceeds from sale of financial assets	587,734	110,741	500,023	31,300
Net cash flows used in investing activities	<u>7,372</u>	<u>(166,407)</u>	<u>(65,789)</u>	<u>(154,713)</u>
<u>Financing activities</u>				
Cash proceeds from units created	2,063	32,304	-	-
Payment for cancellation of units	(11,185)	(879)	-	-
Distributions paid	(9,212)	(10,730)	-	-
Payment of lease liabilities	(213)	(203)	(213)	(203)
Net cash flows used in financing activities	<u>(18,547)</u>	<u>20,492</u>	<u>(213)</u>	<u>(203)</u>
Net (decrease)/increase in cash and cash equivalents	77,477	(74,297)	17,832	(84,159)
Cash and cash equivalents at beginning of period	111,860	157,088	91,534	146,086
Cash and cash equivalents at end of period	<u>189,337</u>	<u>82,791</u>	<u>109,366</u>	<u>61,927</u>

The accompanying notes form an integral part of these unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at 1-38-1 & 1-38-2, Menara Bangkok Bank, Laman Sentral Berjaya, No 105, Jalan Ampang, 50450 Kuala Lumpur.

The immediate holding company is Sompo Holdings (Asia) Pte. Ltd., which is incorporated in Singapore. The ultimate holding company is Sompo Holdings, Inc which is incorporated in Japan and listed on the Tokyo Stock Exchange.

2. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting as issued by Malaysia Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IAS") 34 Interim Financial Reporting as issued by International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements have been prepared under the historical cost convention, unless otherwise stated in the significant accounting policies.

As at the reporting date, the Group and the Company have met the minimum capital adequacy requirements as prescribed under the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group and the Company's audited financial statements for the financial year ended 31 December 2020.

The notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 31 December 2020.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Group and the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Group and the Company audited financial statements for the financial year ended 31 December 2020, except for the adoption of the below which were effective for annual periods beginning on or after 1 January 2021.

- *Interest Rate Benchmark Reform Phase 2* (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to MFRS 16 Leases)

The adoption of the above new MFRSs and amendments to MFRSs do not have any significant financial impact to the financial statements of the Group and the Company.

The Group and the Company have not adopted the following amendments to accounting standards issued by MASB as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRSs contained in the document entitled “*Annual Improvements to MFRS Standards 2018–2020*”
- *Reference to the Conceptual Framework* (Amendments to MFRS 3 Business Combinations)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to MFRS 116 Property, Plant and Equipment)
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

Effective for annual periods commencing on or after 1 January 2023

- *Classification of Liabilities as Current or Non-current* (Amendments to MFRS 101 Presentation of Financial Statements)
- MFRS 17 Insurance Contracts
- *Amendments to MFRS 17 Insurance Contracts*
- *Extension of the Temporary Exemption from Applying MFRS 9* (Amendments to MFRS 4 Insurance Contracts)
- *Disclosure of Accounting Policies* (Amendments to MFRS 101 Presentation of Financial Statements)
- *Definition of Accounting Estimates* (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to MFRS 112 Income Taxes)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

4. PRINCIPAL ACTIVITY

The principal activity of the Company is underwriting of the general insurance business. There has been no significant change in the nature of the principal activity during the interim financial period.

5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in the basis used for accounting estimates for the interim financial period ended 30 June 2021.

6. MATERIAL EVENTS AFTER THE INTERIM PERIOD

There were no material events after the interim financial period that have not been reflected in the unaudited condensed interim financial statements.

7. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities by the Company in the interim financial period ended 30 June 2021.

8. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOW

There were no unusual items affecting assets, liabilities, equity, net income or cashflow for the interim financial period ended 30 June 2021.

For the purpose of the Statements of Cash Flow, cash and cash equivalents comprise of cash in hand and deposits held at the financial institutions which matured within 3 months.

The Statements of Cash Flow are prepared using the indirect method.

9. DIVIDEND PAYMENT

A proposed dividend of RM60,180,000 has been approved by the Board of Directors and Bank Negara Malaysia. The dividend was paid to the owners of the Company on 1 July 2021.

10. COMPOSITION OF THE GROUP AND THE COMPANY

The Group consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date have been prepared in conformity with MFRS 10. The subsidiaries consist of two wholesale funds.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

11. INVESTMENT PROPERTIES

Group and Company	30.06.2021 RM'000	31.12.2020 RM'000
At 1 January	23,210	23,930
Fair value losses recorded in the statement of profit or loss	(96)	(720)
Transfer to non-current assets held-for-sale	(494)	-
At 30 June / 31 December	<u>22,620</u>	<u>23,210</u>

Investment properties are stated at fair value based on valuations that reflect market conditions using the comparison method. The company revalued its investment properties based on an independent valuation performed by an independent accredited valuer.

12. RIGHT-OF-USE ASSETS

Group and Company	Properties RM'000	Other equipment RM'000	Total RM'000 RM'000
At 1 January 2021	1,023	7	1,030
Additional	4	-	4
Terminations	(5)	-	(5)
Depreciation	(204)	(7)	(211)
At 30 June 2021	<u>818</u>	<u>-</u>	<u>818</u>
At 1 January 2020	1,412	35	1,447
Additional	112	-	112
Terminations	(78)	-	(78)
Depreciation	(423)	(28)	(451)
At 31 December 2020	<u>1,023</u>	<u>7</u>	<u>1,030</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENTS

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
MGS/GII*	115,910	48,586	-	-
Corporate bonds	569,384	407,464	-	10,008
Equity securities	64,829	79,418	64,829	79,418
Unit trust funds	1,055,723	1,209,972	1,823,465	1,678,076
Deposits with financial institutions	31,500	125,280	31,500	125,280
	<u>1,837,346</u>	<u>1,870,720</u>	<u>1,919,794</u>	<u>1,892,782</u>

* Malaysian Government Securities (MGS)/Government Investment Issues (GII)

The Group and the Company's investments are summarised by categories as follows:

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss ("FVTPL")	685,294	446,042	-	-
Held-to-maturity financial assets ("HTM")	-	10,008	-	10,008
Available-for-sale financial assets ("AFS")	1,120,552	1,289,390	1,888,294	1,757,494
Loans and receivables ("LAR")	31,500	125,280	31,500	125,280
	<u>1,837,346</u>	<u>1,870,720</u>	<u>1,919,794</u>	<u>1,892,782</u>

(a) Financial assets at FVTPL

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
MGS/GII*	115,910	48,586	-	-
Corporate bonds	569,384	397,456	-	-
	<u>685,294</u>	<u>446,042</u>	<u>-</u>	<u>-</u>

* Malaysian Government Securities (MGS)/Government Investment Issues (GII)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

13. INVESTMENTS (CONT'D)

(b) HTM financial assets

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Corporate bonds	-	10,008	-	10,008
Fair value				
Corporate bonds	-	10,369	-	10,369

(c) AFS financial assets

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Fair value				
Equity securities:				
- Quoted in Malaysia	64,711	79,300	64,711	79,300
Unit trust funds	1,055,723	1,209,972	1,823,465	1,678,076
	<u>1,120,434</u>	<u>1,289,272</u>	<u>1,888,176</u>	<u>1,757,376</u>
Cost				
Equity securities:				
- Unquoted in Malaysia	118	118	118	118
	<u>1,120,552</u>	<u>1,289,390</u>	<u>1,888,294</u>	<u>1,757,494</u>

(d) LAR

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Deposits with licensed financial institutions	31,500	125,280	31,500	125,280

The carrying value of the deposits approximate fair value due to their relatively short term maturities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

14. REINSURANCE ASSETS

	30.06.2021	31.12.2020
Group and Company	RM'000	RM'000
Reinsurance of insurance contracts:		
Claims liabilities (Note 17 (a))	331,797	342,338
Premium liabilities (Note 17 (b))	60,969	52,850
	<u>392,766</u>	<u>395,188</u>

15. INSURANCE RECEIVABLES

	30.06.2021	31.12.2020
Group and Company	RM'000	RM'000
Amount due from agents, brokers and co-insurers	91,944	84,896
Amount due from reinsurers and cedants	922	2,122
Amount due from related parties (Note 23)	985	3,844
Allowance for impairment losses	(3,020)	(5,460)
	<u>90,831</u>	<u>85,402</u>

The breakdown of allowance for impairment losses are as follows:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2021	1,660	3,800	5,460
Allowance/(write-back) for impairment loss	(386)	(2,054)	(2,440)
At 30 June 2021	<u>1,274</u>	<u>1,746</u>	<u>3,020</u>
At 1 January 2020	1,298	4,114	5,412
Allowance/(write-back) for impairment loss	362	(314)	48
At 31 December 2020	<u>1,660</u>	<u>3,800</u>	<u>5,460</u>

16. OTHER RECEIVABLES

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Other receivables and deposits	7,924	6,906	7,924	6,906
Staff loans	10	65	10	65
Interest income due and accrued	12,820	7,908	1,183	3,275
Amount due from related parties (Note 23)	314	711	314	711
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (Net*)	39,459	40,434	39,459	40,434
	60,527	56,024	48,890	51,391

* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of net assets, liabilities and performance of the Pool. The net assets held under MMIP represent the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Note 17.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

17. INSURANCE CONTRACT LIABILITIES

		30.06.2021			31.12.2020		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		589,725	(176,849)	412,875	621,626	(198,198)	423,428
Provision for IBNR		494,685	(154,948)	339,738	460,786	(144,140)	316,646
Claim liabilities	(a)	1,084,410	(331,797)	752,613	1,082,412	(342,338)	740,074
Premium liabilities	(b)	385,669	(60,969)	324,700	377,932	(52,850)	325,082
Insurance contract liabilities		1,470,079	(392,766)	1,077,313	1,460,344	(395,188)	1,065,156

(a) Claim liabilities

At 1 January	1,082,412	(342,338)	740,074	957,832	(296,426)	661,406
Claims incurred for all accident period	179,176	(25,712)	153,464	485,065	(105,600)	379,465
Adjustment to claims incurred in all accident years (direct & facultative)	178,841	(25,706)	153,135	471,793	(102,700)	369,093
Movement in MMIP claims liabilities	(1,250)	-	(1,250)	(6,750)	-	(6,750)
Claims incurred during the period (treaty inwards claims)	1,045	-	1,045	(473)	-	(473)
Movement in Fund PRAD of claims liabilities at 75% confidence level	(103)	(6)	(109)	13,976	(2,900)	11,076
Movement in claims handling expenses	643	-	643	6,519	-	6,519
Claims paid during the period	(177,178)	36,253	(140,925)	(360,485)	59,688	(300,797)
At 30 June / 31 December	1,084,410	(331,797)	752,613	1,082,412	(342,338)	740,074

(b) Premium liabilities

At 1 January	377,932	(52,850)	325,082	402,004	(48,967)	353,037
Premiums written during the period	452,375	(105,451)	346,924	857,130	(164,461)	692,669
Premiums earned during the period	(444,638)	97,332	(347,306)	(881,202)	160,578	(720,624)
At 30 June / 31 December	385,669	(60,969)	324,700	377,932	(52,850)	325,082

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

18. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Group and Company	30.06.2021 RM'000	31.12.2020 RM'000
At 1 January	1,025	1,385
Additions	-	112
Adjustments/Terminations	(17)	(69)
Accretion of interest*	14	45
Rental paid	(213)	(421)
Rent concessions	-	(27)
At 31 December	<u>809</u>	<u>1,025</u>
Current	360	391
Non-Current	<u>449</u>	<u>634</u>
	<u>809</u>	<u>1,025</u>

* The Company used a weighted average incremental rate at 3.44% (2020: 4.79%).

19. INSURANCE PAYABLES

Group and Company	30.06.2021 RM'000	31.12.2020 RM'000
Amount due to agents, brokers, insureds and co-insurers	23,402	16,570
Amount due to reinsurers and ceding companies	45,257	34,914
Amount due to related parties (Note 23)	3,591	3,850
	<u>72,250</u>	<u>55,334</u>

20. OTHER PAYABLES

	Group		Company	
	30.06.2021 RM'000	31.12.2020 RM'000	30.06.2021 RM'000	31.12.2020 RM'000
Accrued liabilities	42,674	81,535	42,674	81,535
Other payables	29,405	11,950	23,891	11,826
Cash collaterals held on behalf of insured	3,174	3,825	3,174	3,825
Dividend payable (Note 23)	60,180	-	60,180	-
Amount due to related parties (Note 23)	14,612	18,359	14,612	18,359
	<u>150,045</u>	<u>115,669</u>	<u>144,531</u>	<u>115,545</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

21. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial period.

	Group		Company	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Net profit for the period (RM'000)	67,039	111,972	75,562	99,796
Number of ordinary shares in issue ('000)	118,000	118,000	118,000	118,000
Earnings per share (sen)	<u>56.8</u>	<u>94.9</u>	<u>64.0</u>	<u>84.6</u>

22. RELATED PARTY TRANSACTIONS

The significant related party transactions during the period are as follows:

Group and Company	30.06.2021 RM'000	31.12.2020 RM'000
Income		
Premiums received	2,341	6,148
Commissions received	6,135	8,961
Claims recovery	6,797	13,448
Other income	12	239
Expenditure		
Premiums ceded	(20,265)	(29,417)
Commissions paid	(346)	(700)
Claims paid	(3,897)	(12,064)
Expenses net of recoveries	(10,117)	(16,468)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

23. RELATED PARTY BALANCES

The significant related party balances during the period are as follows:

	30.06.2021	31.12.2020
Group and Company	RM'000	RM'000
<u>Payable</u>		
Dividend payable (Note 20)		
Sompo Holdings (Asia) Pte. Ltd.	(42,126)	-
Berjaya Capital Berhad	(18,054)	-
Amount due to related parties (Note 19 & Note 20)		
Sompo Japan Insurance Inc.	(9,220)	(15,129)
Sompo Holdings (Asia) Pte. Ltd.	(3,723)	(6,228)
Sompo Insurance Singapore Pte. Ltd.	-	(188)
Sompo Insurance (Hong Kong) Co., Ltd.	(494)	(599)
Asia Insurance Co., Ltd.	(65)	(65)
Other related companies	(4,701)	-
<u>Receivable</u>		
Amount due from related parties (Note 15 & Note 16)		
Sompo Japan Insurance Inc.	314	1,390
Sompo Holdings (Asia) Pte. Ltd.	-	1
Sompo Insurance Singapore Pte. Ltd.	2	-
Asia Insurance Co., Ltd.	31	23
Berjaya Corporation Berhad and its related companies	952	2,412
Other related companies	-	729

24. FAIR VALUE HIERARCHY

The table below analyses assets that are carried at fair value and assets for which fair value is disclosed according to their fair value hierarchy, defined as follows:

i. Level 1

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

ii. Level 2

Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable

iii. Level 3

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

24. FAIR VALUE HIERARCHY (CONT'D)

Group Assets	30.06.2021				31.12.2020			
	Fair value measurement using:				Fair value measurement using:			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets for which fair values are disclosed:								
HTM								
Corporate bonds	-	-	-	-	-	10,369	-	10,369
	-	-	-	-	-	10,369	-	10,369
Assets measured at fair value: on a recurring basis:								
Investment properties	-	-	22,620	22,620	-	-	23,210	23,210
AFS - Equity Securities	64,711	-	-	64,711	79,300	-	-	79,300
AFS - Unit Trust Funds	1,055,723	-	-	1,055,723	1,209,972	-	-	1,209,972
FVTPL - MGS/GII	-	115,910	-	115,910	-	48,586	-	48,586
FVTPL - Corporate Bonds	-	569,384	-	569,384	-	397,456	-	397,456
	1,120,434	685,294	22,620	1,828,348	1,289,272	446,042	23,210	1,758,524

There has been no transfer between level 1 and level 2 fair values during the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

24. FAIR VALUE HIERARCHY (CONT'D)

Company Assets	30.06.2021				31.12.2020			
	Fair value measurement using:				Fair value measurement using:			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets for which fair values are disclosed:								
HTM								
Corporate bonds	-	-	-	-	-	10,369	-	10,369
	-	-	-	-	-	10,369	-	10,369
Assets measured at fair value: on a recurring basis:								
Investment properties	-	-	22,620	22,620	-	-	23,210	23,210
AFS - Equity Securities	64,711	-	-	64,711	79,300	-	-	79,300
AFS - Unit Trust Funds	1,823,465	-	-	1,823,465	1,678,076	-	-	1,678,076
	1,888,176	-	22,620	1,910,796	1,757,376	-	23,210	1,780,586

There has been no transfer between level 1 and level 2 fair values during the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

25. CAPITAL COMMITMENT

	30.06.2021	31.12.2020
	RM'000	RM'000
Capital Expenditure approved and contracted for :		
Property, plant and equipment	2,101	3,766
Intangible assets	12,952	5,054
	<u>15,053</u>	<u>8,820</u>

26. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital (RBC) Framework issued by Bank Negara Malaysia, insurance companies are required to meet the minimum capital adequacy ratio of 130%. The Company has met the minimum regulatory capital requirement.

The capital structure of the Company as at 30 June 2021, as prescribed under the RBC Framework is provided below:

	30.06.2021	31.12.2020
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	118,000	118,000
Retained earnings	864,479	849,097
	<u>982,479</u>	<u>967,097</u>
Tier 2 Capital		
AFS fair value reserves	<u>26,912</u>	<u>53,088</u>
Deductions		
Intangible assets	38,771	36,725
Deferred tax income / (expense)	(406)	4,862
Deferred tax assets	5,965	-
	<u>44,330</u>	<u>41,587</u>
Total capital available	<u>965,061</u>	<u>978,598</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

27. DEVELOPMENTS ON MYCC CASE

On 22 February 2017, the Company received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed decision which found that the Company and 21 other general insurance companies in Malaysia who are all members of the General Insurance Association of Malaysia ("PIAM") had infringed one of the prohibitions under the Competition Act 2010 ("CA") in Malaysia, pursuant to its investigation outcome in respect of the agreement entered into between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") concerning trade discount rates and minimum agreed labour rates payable by the insurers to the PIAM Approved Repairer's Scheme workshops. These rates were subsequently approved and adopted by PIAM members including the Company.

Subsequent to MyCC's issuance of its proposed decision, PIAM and its 22 members, including the Company, were given the opportunity to make written representations in their defence and the Company had on 25 April 2017 filed in its written representations with MyCC. The Company's oral representations were presented before the MyCC on 29 January 2018.

Following the appointment of a new Chairman of MyCC, a fresh hearing was held with the last of the parties' submissions having been made on 18 June 2019.

Subsequently, the Company had received a notice dated 25 September 2020 from MyCC informing the Company of its decision dated 14 September 2020 wherein they have found that the Company and 21 other members of PIAM had infringed Section 4 of the CA ("Decision").

The MyCC in its Decision had imposed a financial penalty of RM8,088,367.03 only on the part of the Company and a consolidated amount of RM173,655,300 on all 22 members of PIAM, net of a 25% reduction granted on the final penalties after taking into consideration the economic impact arising from the COVID-19 pandemic. The MyCC had also granted the parties a moratorium period of six months up to 24 March 2021 to pay the financial penalty imposed. The MyCC had also allowed the parties, including the Company, to pay the financial penalty imposed by way of up to six equal monthly instalments.

The MyCC had also directed the Company to cease implementing the agreed parts trade discount and the hourly labour rates previously agreed upon with the workshops with immediate effect. All future parts trade discount rates and future hourly labour rates with the workshops would be negotiated independently.

The Company in consultation with its legal counsel, is of the view that the Company has not infringed Section 4 of the CA and that there is a good chance of success at the Competition Appeal Tribunal ("CAT"). Accordingly, as at the date of the financial statements, the Company has not made any provision, and has continued to disclose the matter as an on-going litigation until further development.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONT'D)

27. DEVELOPMENTS ON MYCC CASE (CONT'D)

The Company had filed its Notice of Appeal with the CAT pursuant to Section 51 of the CA and had filed an application for a stay of the financial penalty with the CAT pursuant to Section 53 of the CA on 13 October 2020 and 14 October 2020 respectively.

On 23 March 2021, the CAT allowed a stay of financial penalty pending disposal of the appeal against the decision of MyCC ("Appeal"), and the CAT at its discretion also allowed stay of the Cease and Desist Order.

The hearing of BNM's appeal against the MyCC Decision before the CAT is now fixed on 15 October 2021 ("Hearing for BNM"). As for the Company and the rest of the general insurance companies, the hearing dates of the Appeal before the CAT previously fixed on 12,15,16,19 and 26 November, 2021 are to be maintained at this juncture.