

Unaudited Condensed Interim Financial Statements

**For The Financial Period From
1 January 2020 To 30 June 2020**

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

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

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		Group		Company	
	Note	30.06.2020	31.12.2019	30.06.2020	31.12.2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment		91,159	93,287	91,159	93,287
Intangible assets		30,092	28,041	30,092	28,041
Investment properties	11	23,930	23,930	23,930	23,930
Right-of-use assets	12	1,221	1,447	1,221	1,447
Investments	13	1,816,311	1,662,455	1,836,314	1,676,752
Reinsurance assets	14	323,377	345,393	323,377	345,393
Insurance receivables	15	103,844	95,178	103,844	95,178
Other receivables	16	57,171	60,479	53,132	56,672
Deferred tax assets		-	2,751	-	1,298
Cash and cash equivalents		82,791	157,088	61,927	146,086
TOTAL ASSETS		2,529,896	2,470,049	2,524,996	2,468,084
EQUITY AND LIABILITIES					
EQUITY					
Share capital		118,000	118,000	118,000	118,000
Available-for-sale reserves		30,588	22,979	40,760	27,582
Retained profits		820,382	796,641	807,752	790,601
Equity attributable to owner of the Company		968,970	937,620	966,512	936,183
Non-controlling interests		1,166	422	-	-
TOTAL EQUITY		970,136	938,042	966,512	936,183
LIABILITIES					
Insurance contract liabilities	17	1,353,375	1,359,836	1,353,375	1,359,836
Lease liabilities	12	1,182	1,385	1,182	1,385
Deferred tax liabilities		3,553	-	2,377	-
Tax payable		11,430	6,021	11,430	6,021
Insurance payables	18	69,100	67,150	69,100	67,150
Other payables	19	121,120	97,615	121,020	97,509
TOTAL LIABILITIES		1,559,760	1,532,007	1,558,484	1,531,901
TOTAL EQUITY AND LIABILITIES		2,529,896	2,470,049	2,524,996	2,468,084

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

BERJAYA SOMPO INSURANCE BERHAD
Registration No: 198001008821 (62605-U)
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UNAUDITED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE 6 MONTHS ENDED 30 JUNE 2020

		Group	Company	
		6 months	6 months	6 months
		ended	ended	ended
	Note	30.06.2020	30.06.2020	30.06.2019
		RM'000	RM'000	RM'000
Gross earned premiums		444,387	444,387	470,123
Earned premiums ceded to reinsurers		(79,105)	(79,105)	(84,690)
Net earned premiums		365,282	365,282	385,433
Investment income		30,441	29,866	31,887
Net Realised gains		1,653	505	695
Fair value losses		(1,741)	(7,794)	-
Commission income		18,173	18,173	19,540
Other operating income		2,658	2,658	10
Other revenue		51,184	43,408	52,132
Gross claims paid	17(a)	(171,776)	(171,776)	(223,814)
Claims ceded to reinsurers	17(a)	30,861	30,861	37,226
Gross change in contract liabilities	17(a)	(31,023)	(31,023)	(104,091)
Change in contract liabilities ceded to reinsurers	17(a)	(18,306)	(18,306)	48,139
Net claims incurred		(190,244)	(190,244)	(242,540)
Commission expense		(48,101)	(48,101)	(57,274)
Management expenses		(98,674)	(98,232)	(88,783)
Other expenses		(146,775)	(146,333)	(146,057)
Profit before tax		79,447	72,113	48,968
Tax expense		(13,662)	(13,662)	(8,744)
Net profit for the period		65,785	58,451	40,224
Earnings per share (sen)				
- Basic and Diluted	20	55.8	49.5	34.1

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BERJAYA SOMPO INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS ENDED 30 JUNE 2020

	Group	Company	
	6 months	6 months	6 months
	ended	ended	ended
	30.06.2020	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000
Net profit for the period	65,785	58,451	40,224
Other comprehensive income:			
Items that may be classified to income statement in subsequent periods:			
Available-for-sale fair value reserves :			
Net unrealised gains/(losses) on fair value changes	9,677	17,005	15,188
Realised gains transferred to income statement upon disposal	335	335	328
	10,012	17,340	15,516
Tax effects	(2,403)	(4,162)	(3,724)
	7,609	13,178	11,792
Total comprehensive income for the period	73,394	71,629	52,016
Profit attributable to:			
Equity holder of the Company	65,041	58,451	40,224
Non-controlling interests	744	-	-
	65,785	58,451	40,224
Total comprehensive income attributable to:			
Equity holder of the Company	72,650	71,629	52,016
Non-controlling interests	744	-	-
	73,394	71,629	52,016

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UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2020

Group	← Attributable to the owner of the Company →					
	Non - distributable		Distributable			
	Share capital RM'000	Available- for sale reserves RM'000	Retained profits RM'000	Total equity RM'000	Non- Controlling Interest RM'000	Total equity RM'000
At 1 January 2020	118,000	22,979	796,641	937,620	422	938,042
Net Profit for the period	-	-	65,041	65,041	744	65,785
Other comprehensive income for the period	-	7,609	-	7,609	-	7,609
Total comprehensive income for the period	-	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

Company						
At 1 January 2019	118,000	19,955	713,056	851,011	-	851,011
Net Profit for the period	-	-	40,224	40,224	-	40,224
Other comprehensive income for the period	-	11,792	-	11,792	-	11,792
Total comprehensive income for the period	-	11,792	40,224	52,016	-	52,016
At 30 June 2019	118,000	31,747	753,280	903,027	-	903,027

At 1 January 2020	118,000	27,582	790,601	936,183	-	936,183
Net Profit for the period	-	-	58,451	58,451	-	58,451
Other comprehensive income for the period	-	13,178	-	13,178	-	13,178
Total comprehensive income for the period	-	13,178	58,451	71,629	-	71,629
Dividend payable	-	-	(41,300)	(41,300)	-	(41,300)
At 30 June 2020	118,000	40,760	807,752	966,512	-	966,512

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BERJAYA SOMPO INSURANCE BERHAD
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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE 6 MONTHS ENDED 30 JUNE 2020

	Group	Company	
	6 months	6 months	6 months
	ended	ended	ended
	30.06.2020	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000
<u>Operating activities</u>			
Cash flows from operating activities			
Profit before tax	79,447	72,113	48,968
Investment income	(29,752)	(28,246)	(30,608)
Realised gains on AFS investment	(505)	(505)	(634)
Fair value recorded in income statement	(6,053)	-	-
Gain on disposal of property and equipment	-	-	(74)
Gain on FVTPL financial assets	(1,148)	-	-
Property and equipment written off	-	-	13
Amortisation of premium	933	2	158
Allowance for/(write-back of) impairment losses:			
Investment	7,794	7,794	-
Insurance receivables	(338)	(338)	(1,667)
Bad debts recovery	-	-	(1)
Depreciation on property and equipment	2,676	2,676	2,701
Depreciation on right-of-use assets	226	226	212
Lease interest expense	21	21	28
Amortisation on intangible assets	2,802	2,802	2,716
Operating cash flows before working capital changes	(23,344)	(15,568)	(27,156)
Decrease/(Increase) insurance receivable	(8,329)	(8,329)	(19,653)
Decrease/(Increase) in other receivable	2,545	2,545	(35,755)
Decrease/(Increase) in reinsurance assets	22,016	22,016	(44,447)
Decrease/(Increase) in LAR	(94,661)	(94,661)	36,290
Decrease/(Increase) in insurance contract liabilities	(6,461)	(6,461)	118,639
Decrease/(Increase) in insurance payable	1,951	1,951	(7,477)
Decrease/(Increase) in other payable	(17,956)	(17,952)	(21,291)
	(100,895)	(100,891)	26,306
Dividend/distribution income received	17,885	24,505	17,342
Interest income received	11,274	3,347	11,510
Rental income received	1,391	1,391	628
Income tax paid	(8,780)	(8,780)	(6,970)
Net cash flows generated from operating activities	(23,022)	(23,883)	70,628

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UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOW (CONT'D)
FOR THE 6 MONTHS ENDED 30 JUNE 2020

	Group	Company	
	6 months	6 months	6 months
	ended	ended	ended
	30.06.2020	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000
<u>Investing activities</u>			
Cash flows generate from investment activities			
Purchases of property and equipment	(547)	(547)	(839)
Purchases of intangible assets	(4,653)	(4,653)	(1,384)
Proceeds from sale of property and equipment	-	-	91
Purchases of financial assets	(177,287)	(86,152)	(112,150)
Proceeds from sale of financial assets	110,741	31,300	96,238
Net cash flows used in investing activities	<u>(71,746)</u>	<u>(60,052)</u>	<u>(18,044)</u>
<u>Financing activities</u>			
Cash flows from financing activities			
Cash proceeds from unit created	32,304	-	-
Payment for cancellation of units	(879)	-	-
Distributions paid	(10,730)	-	-
Lease interest paid	(21)	(21)	(28)
Payment of lease liabilities	(203)	(203)	(209)
Net cash from financing activities	<u>20,471</u>	<u>(224)</u>	<u>(237)</u>
Net increase/(decrease) in cash and cash equivalents	(74,297)	(84,159)	52,347
Cash and cash equivalents at beginning of period	157,088	146,086	123,943
Cash and cash equivalents at end of period	<u>82,791</u>	<u>61,927</u>	<u>176,290</u>

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

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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.

The principal activity of the Company is the underwriting of general insurance business. The principal activities of the subsidiaries, which are wholesale unit trust funds.

2. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with 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 Company has met the minimal 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 Company's audited financial statements for the financial year ended 31 December 2019.

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 Company since the financial year ended 31 December 2019.

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 2019, except for the adoption of the below which were effective for annual periods beginning on or after 1 January 2020.

- Amendments to MFRS3 Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform
- Amendments to MFRS 101, MFRS 108 Definition of Material
- Amendments to MFRS 16 Leases, Covid 19 - related rent concessions

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

Amendments to MFRS 3 Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the unaudited condensed interim financial statements of the Group and the Company, but may impact future periods should the Group enter into any business combinations.

Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the unaudited condensed interim financial statements of the Group and the Company as it does not have any interest rate hedge relationships.

Amendments to MFRS 101, MFRS 108 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the unaudited condensed interim financial statements of, nor is there expected to be any future impact to the Group and the Company.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Amendments to MFRS 16 Leases, COVID-19 related rent concessions

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in direct consequence of the COVID-19 pandemic is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

The practical expedient apply only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

The Company is granted a payment holiday whereby the rent holiday or rent reduction by itself is not a change in the scope of a lease. A change in scope would require a change in the asset or assets being leased, or extending or shortening the period of a lease. The Company's present value of the total consideration for the lease is unchanged therefore there is no lease modification. The payment holiday would typically be accounted for in profit or loss as a variable lease payment.

4. PRINCIPAL ACTIVITY

The principal activity of the Company is underwriting of 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 current financial period ended 30 June 2020.

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 interim financial statements.

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

7. DEBTS AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayment of debt and equity securities by the Company in the current financial period ended 30 June 2020.

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

There were no other unusual items affecting assets, liabilities, equity, net income or cashflow for the financial period ended 30 June 2020.

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

The cash flow statements are prepared using the indirect method.

9. DIVIDEND PAYMENT

A proposed dividend of RM41,300,000 has been approved by the Board of Directors and Bank Negara Malaysia. The dividend will be paid to the owners of the Company on 1 July 2020.

10. COMPOSITION OF THE GROUP AND THE COMPANY

The Group and the Company obtains control over the wholesale funds beginning 1 July 2019, hence, there were no comparatives available for the Group from the period 1 January 2019 to 30 June 2019.

11. INVESTMENT PROPERTIES

	30.06.2020	31.12.2019
Group and Company	RM'000	RM'000
At 1 January	23,930	23,930
Fair value adjustment	-	-
At 30 June / 31 December	<u>23,930</u>	<u>23,930</u>

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

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

12. RIGHT-OF-USE ASSETS

Group and Company	Properties RM'000	Other equipment RM'000	Total RM'000 RM'000
At 1 January 2019	1,377	64	1,441
Additional	441	-	441
Depreciation	(406)	(29)	(435)
At 31 December 2019	<u>1,412</u>	<u>35</u>	<u>1,447</u>
At 1 January 2020	1,412	35	1,447
Additional	-	-	-
Depreciation	(212)	(14)	(226)
At 30 June 2020	<u>1,200</u>	<u>21</u>	<u>1,221</u>

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

Group and Company	30.06.2020 RM'000	31.12.2019 RM'000
At 1 January	1,385	1,354
Additions	-	399
Interest expense*	21	63
Payment of lease liabilities	(224)	(431)
At 31 December	<u>1,182</u>	<u>1,385</u>
Current	374	412
Non-Current	808	973
	<u>1,182</u>	<u>1,385</u>

* The Company used weighted average incremental rate at 4.79% (2019: 4.79%).

13. INVESTMENTS

	Group		Company	
	30.06.2020 RM'000	31.12.2019 RM'000	30.06.2020 RM'000	31.12.2019 RM'000
Malaysian government securities	35,572	40,342	-	-
Corporate bonds	338,141	304,683	10,010	10,011
Equity securities	67,223	71,981	67,223	71,981
Unit trust funds	1,227,375	1,192,110	1,611,081	1,541,421
Deposits with financial institutions	148,000	53,339	148,000	53,339
	<u>1,816,311</u>	<u>1,662,455</u>	<u>1,836,314</u>	<u>1,676,752</u>

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

13. INVESTMENTS (CONT'D)

The Company's financial investments are summarised by categories as follows:

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss ("FVTPL")	363,703	335,014	-	-
Held-to-maturity financial assets ("HTM")	10,010	10,011	10,010	10,011
Available-for-sale financial assets ("AFS")	1,294,598	1,264,091	1,678,304	1,613,402
Loans and receivables ("LAR")	148,000	53,339	148,000	53,339
	1,816,311	1,662,455	1,836,314	1,676,752

(a) Financial assets at FVTPL

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	35,572	40,342	-	-
Corporate bonds	328,131	294,672	-	-
	363,703	335,014	-	-

(b) HTM financial assets

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Corporate bonds	10,010	10,011	10,010	10,011
	10,010	10,011	10,010	10,011
Fair value				
Corporate bonds			10,288	10,138
			10,288	10,138

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

13. INVESTMENTS (CONT'D)

(c) AFS financial assets

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Fair value				
Equity securities:				
- Quoted in Malaysia	67,105	71,863	67,105	71,863
Unit trust funds	1,227,375	1,192,110	1,611,081	1,541,421
	<u>1,294,480</u>	<u>1,263,973</u>	<u>1,678,186</u>	<u>1,613,284</u>
Cost				
Equity securities:				
- Unquoted in Malaysia	118	118	118	118
	<u>1,294,598</u>	<u>1,264,091</u>	<u>1,678,304</u>	<u>1,613,402</u>

(d) LAR

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Deposits with licensed financial institutions	148,000	53,339	148,000	53,339

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

14. REINSURANCE ASSETS

Group and Company	30.06.2020	31.12.2019
	RM'000	RM'000
Reinsurance of insurance contracts:		
Claims liabilities (Note 17 (a))	278,120	296,426
Premium liabilities (Note 17 (b))	45,257	48,967
	<u>323,377</u>	<u>345,393</u>

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

15. INSURANCE RECEIVABLES

Group and Company	30.06.2020 RM'000	31.12.2019 RM'000
Amount due from agents, brokers and co-insurers	102,777	94,548
Amount due from reinsurers and cedants	2,104	2,491
Amount due from related parties	4,037	3,551
Allowance for impairment losses	(5,074)	(5,412)
	103,844	95,178

The breakdown of allowance for impairment losses are as follows:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2019	2,297	12,488	14,785
Allowance for impairment loss	(999)	(8,374)	(9,373)
Reversal of allowance for impairment losses	-	(2,125)	(2,125)
Bad debts written-off net of recovery	-	2,125	2,125
At 31 December 2019	1,298	4,114	5,412
At 1 January 2020	1,298	4,114	5,412
Allowance for impairment loss	-	(1,259)	(1,259)
Write back form impairment loss	921	-	921
At 30 June 2020	2,219	2,855	5,074

16. OTHER RECEIVABLES

	Group		Company	
	30.06.2020 RM'000	31.12.2019 RM'000	30.06.2020 RM'000	31.12.2019 RM'000
Other receivables and deposits	8,715	10,980	8,715	10,980
Staff loans	68	16	68	16
Interest income due and accrued	5,615	5,585	1,576	1,778
Amount due from related parties (Note 22)	570	1,098	570	1,098
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (Net*)	42,203	42,800	42,203	42,800
	57,171	60,479	53,132	56,672

* 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 represents 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.

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17. INSURANCE CONTRACT LIABILITIES

Note	Gross RM'000	30.06.2020 Reinsurance RM'000	Net RM'000	Gross RM'000	31.12.2019 Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	620,782	(186,829)	433,953	622,957	(195,798)	427,159
Provision for IBNR	368,073	(91,291)	276,782	334,875	(100,628)	234,247
Claim liabilities (a)	988,855	(278,120)	710,735	957,832	(296,426)	661,406
Premium liabilities (b)	364,520	(45,257)	319,263	402,004	(48,967)	353,037
Insurance contract liabilities	1,353,375	(323,377)	1,029,998	1,359,836	(345,393)	1,014,443
(a) Claim liabilities						
At 1 January	957,832	(296,426)	661,406	803,881	(247,245)	556,636
Claims incurred for the all accident period	202,799	(12,555)	190,244	631,415	(142,657)	488,758
Adjustment to claims incurred in all accident years (direct & facultative)	200,531	(14,908)	185,623	620,086	(139,217)	480,869
Movement in MMIP	(2,705)	-	(2,705)	(5,665)	-	(5,665)
Claims incurred during the period (treaty inwards claims)	354	-	354	28	-	28
Movement in Fund PRAD of claims liabilities at 75% confidence level	2,992	2,353	5,345	13,218	(3,440)	9,778
Movement in claims handling expenses	1,627	-	-	3,748	-	3,748
Claims paid during the period	(171,776)	30,861	(140,915)	(477,464)	93,476	(383,988)
At 30 June / 31 December	988,855	(278,120)	710,735	957,832	(296,426)	661,406
(b) Premium liabilities						
At 1 January	402,004	(48,967)	353,037	400,783	(53,376)	347,407
Premiums written during the period	406,903	(75,395)	331,508	938,836	(160,882)	777,954
Premiums earned during the period	(444,387)	79,105	(365,282)	(937,615)	165,291	(772,324)
At 30 June / 31 December	364,520	(45,257)	319,263	402,004	(48,967)	353,037

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18. INSURANCE PAYABLES

	30.06.2020	31.12.2019
Group and Company	RM'000	RM'000
Amount due to agents, brokers, insureds and co-insurers	19,731	28,918
Amount due to reinsurers and ceding companies	45,506	32,978
Amount due to related parties	3,863	5,254
	<u>69,100</u>	<u>67,150</u>

19. OTHER PAYABLES

	Group		Company	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Accruals and other payables	56,069	77,924	55,969	77,818
Cash collaterals held on behalf of insured	3,887	4,346	3,887	4,346
Unallocated deposit	11,423	-	11,423	-
Dividend payable (Note 22)	41,300	-	41,300	-
Amount due to related parties (Note 22)	8,441	15,345	8,441	15,345
	<u>121,120</u>	<u>97,615</u>	<u>121,020</u>	<u>97,509</u>

20. 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	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Net profit for the period (RM'000)	65,785	83,595	58,451	77,545
Number of ordinary shares in issue ('000)	118,000	118,000	118,000	118,000
Earnings per share (sen)	<u>55.8</u>	<u>70.8</u>	<u>49.5</u>	<u>65.7</u>

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21. RELATED PARTY TRANSACTIONS

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

Group and Company	30.06.2020 RM'000	30.06.2019 RM'000
Income		
Premium income	8,871	9,227
Commission received	3,121	5,053
Claims recovery	3,137	7,178
	<u>15,129</u>	<u>21,458</u>
Expenditure		
Ceded premium	14,206	14,727
Brokerage paid	9	777
Expenses net of recoveries	329	3,019
	<u>14,544</u>	<u>18,523</u>

22. RELATED PARTY BALANCES

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

Group and Company	30.06.2020 RM'000	31.12.2019 RM'000
<u>Payable</u>		
Dividend payable (Note 19)		
- Sompo Holdings (Asia) Pte. Ltd.	28,910	-
- Berjaya Capital Berhad	12,390	-
Amount due to related parties (Note 19)		
- Sompo Holdings (Asia) Pte. Ltd.	3,295	7,529
- Sompo Japan Insurance Inc.	5,146	7,816
	<u>49,741</u>	<u>15,345</u>
<u>Receivable</u>		
Amount due from related parties (Note 16)		
- Sompo Brokers (Thailand) Co. Ltd.	-	3
- Sompo Holdings (Asia) Pte. Ltd.	-	1,047
- Sompo Japan Insurance Inc.	570	48
	<u>570</u>	<u>1,098</u>

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

23. FAIR VALUE HIERARCHY

The table below analyse assets which 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

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23. FAIR VALUE HIERARCHY (CONT'D)

Group Assets	30.06.2020				31.12.2019			
	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	-	10,288	-	10,288	-	10,138	-	10,138
	-	10,288	-	10,288	-	10,138	-	10,138
Assets measured at fair value: on a recurring basis:								
Investment properties	-	-	23,930	23,930	-	-	23,930	23,930
FVTPL								
Malaysian Government Securities	-	35,572	-	35,572	-	40,342	-	40,342
Corporate Bonds	-	328,131	-	328,131	-	294,672	-	294,672
AFS								
Equity Securities	67,105	-	-	67,105	71,863	-	-	71,863
Unit Trust Funds	1,227,375	-	-	1,227,375	1,192,110	-	-	1,192,110
	1,294,480	363,703	23,930	1,682,113	1,263,973	335,014	23,930	1,622,917

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

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23. FAIR VALUE HIERARCHY (CONT'D)

Company Assets	30.06.2020 Fair value measurement using:				31.12.2019 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	-	10,288	-	10,288	-	10,138	-	10,138
	-	10,288	-	10,288	-	10,138	-	10,138
Assets measured at fair value: on a recurring basis:								
Investment properties	-	-	23,930	23,930	-	-	23,930	23,930
AFS								
Equity securities	67,105	-	-	67,105	71,863	-	-	71,863
Unit trust funds	1,611,081	-	-	1,611,081	1,541,421	-	-	1,541,421
	1,678,186	-	23,930	1,702,116	1,613,284	-	23,930	1,637,214

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. CAPITAL COMMITMENT

	30.06.2020	31.12.2019
	RM'000	RM'000
Capital Expenditure approved and contracted for :		
Property, plant and equipment	90	303
Intangible assets	10,032	19,536
	<u>10,122</u>	<u>19,839</u>

25. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital 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 2020, as prescribed under the RBC Framework is provided below:

	30.06.2020	31.12.2019
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	118,000	118,000
Retained earnings	807,752	790,601
	<u>925,752</u>	<u>908,601</u>
Tier 2 Capital		
AFS fair value reserves	<u>40,760</u>	<u>27,582</u>
Deductions		
Intangible assets	<u>(30,092)</u>	<u>(28,041)</u>
Total capital available	<u>936,420</u>	<u>908,142</u>

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

26. DEVELOPMENTS ON MYCC CASE

On 22 February 2017, the Company received statutory notice of the proposed decision by Malaysian Competition Commission ("MyCC") that the Company and the other 21 members of PIAM have infringed one of the prohibitions under Part II of the Competition Act, 2010. The proposed decision includes a proposed financial penalty on BSIB and the other 21 members of PIAM totalling RM213,454,814. The Company's share of the financial penalty is RM10,784,489.

All members had submitted their written representation. Oral representation sessions between MyCC with PIAM, all members and BNM were conducted since late 2017 until 26 February 2018.

On 19 to 21 February 2019, oral representations by PIAM and the 22 members were conducted as *de novo* proceedings (fresh hearing) before the new MyCC Panel with the presence of Bank Negara Malaysia (BNM) and Federal of Automobile Workshop Owners Association ("FAWOAM").

Hearing of the oral representations by Counsels for BNM and 5 Insurers were completed on 13 May 2019. Hence, the session on 14 May 2019 was vacated.

On 17 to 18 June, 2019 there were hearing of the oral representations by RBB Economics, Counsel of PIAM and 12 Insurers. The oral representations hearing was concluded on 18 June 2019, however the Chairman of MyCC did not give any indication when the Commission will be ready to deliver their decision.

There were no further development from MyCC since the hearing of the oral representation on 18 June 2019.

27. SIGNIFICANT EVENTS

Coronavirus (COVID-19) pandemic

In the first half of 2020, the rapid spread of COVID-19 has been declared a pandemic. Globally, increasing measures are being taken to contain it and these have led to an adverse impact on the global business and economic activities.

The Malaysian government have taken several measures to stimulate the local business and economic activities. The Company will closely monitor the situation and the impact of this pandemic.