

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

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Company No.
198201011878 (91603-K)

THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION
AS At 30 JUNE 2020

	Note	As at 30.6.2020		As at 31.12.2019	
		<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
		RM	RM	RM	RM
ASSETS					
Property and equipment		45,409,929	45,409,929	45,145,011	45,145,011
Investment properties	13	16,611,115	16,611,115	16,796,723	16,796,723
Intangible assets	14	49,388,991	49,388,991	41,708,843	41,708,843
Investments:					
Fair value through profit or loss financial assets	15	536,124,399	546,225,826	501,510,211	512,812,741
Amortised cost/loans and receivables	15	48,820,432	48,820,432	55,774,229	55,774,229
Reinsurance assets	16	583,656,984	583,656,984	634,146,422	634,146,422
Insurance and other receivables	17	134,921,145	134,921,145	116,135,916	116,135,916
Right-of-use assets		5,118,006	5,118,006	7,094,059	7,094,059
Loans		753,923	753,923	914,083	914,083
Deferred tax asset		6,200,464	6,200,464	3,011,853	3,011,853
Tax recoverable		6,692,428	6,692,428	6,051,210	6,051,210
Cash and cash equivalents		115,746,429	104,835,912	182,915,615	170,764,379
Total assets		1,549,444,245	1,548,635,155	1,611,204,175	1,610,355,469
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital		219,875,038	219,875,038	219,875,038	219,875,038
Retained profits		184,358,205	184,359,646	181,261,821	181,279,003
Total equity		404,233,243	404,234,684	401,136,859	401,154,041
Liabilities					
Insurance contract liabilities	18	964,284,758	964,284,758	1,018,274,660	1,018,274,660
Subordinated loans		33,336,367	33,336,367	32,486,891	32,486,891
Insurance and other payables		142,291,917	141,481,386	152,060,270	151,194,382
Lease liability		5,297,960	5,297,960	7,245,495	7,245,495
Total liabilities		1,145,211,002	1,144,400,471	1,210,067,316	1,209,201,428
Total equity and liabilities		1,549,444,245	1,548,635,155	1,611,204,175	1,610,355,469

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

Company No.
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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020**

	6 months period ended 30.6.2020		6 months period ended 30.6.2019	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Gross earned premiums	260,376,930	260,376,930	283,035,318	283,035,318
Earned premiums ceded to reinsurers	(141,155,161)	(141,155,161)	(150,077,643)	(150,077,643)
Net earned premiums	119,221,769	119,221,769	132,957,675	132,957,675
Investment income	12,421,065	17,277,694	12,712,456	14,844,319
Realised gains/(losses)	9,127,923	3,831,566	3,028,122	(18,803)
Fair value (losses)/gains	(7,898,018)	(7,928,857)	9,027,982	9,502,352
Fee and commission income	18,734,126	18,734,126	26,327,508	26,327,508
Other operating revenue	226,344	226,344	709,668	709,668
Other revenue	32,611,440	32,140,873	51,805,736	51,365,044
Total revenue	151,833,209	151,362,642	184,763,411	184,322,719
Gross benefits and claims paid	(157,641,503)	(157,641,503)	(154,802,243)	(154,802,243)
Claims ceded to reinsurers	77,701,608	77,701,608	73,240,556	73,240,556
Gross change to claims liabilities	16,732,431	16,732,431	(64,519,375)	(64,519,375)
Change to claims liabilities ceded to reinsurers	(16,811,454)	(16,811,454)	69,780,199	69,780,199
Net benefits and claims	(80,018,918)	(80,018,918)	(76,300,863)	(76,300,863)
Fee and commission expenses	(29,469,844)	(29,469,844)	(33,147,688)	(33,147,688)
Management expenses	(41,397,036)	(40,954,206)	(48,384,125)	(47,976,326)
Other expenses	(70,866,880)	(70,424,050)	(81,531,813)	(81,124,014)
Finance cost	(1,027,642)	(1,027,642)	(1,079,866)	(1,079,866)
(Loss)/Profit before taxation	(80,231)	(107,968)	25,850,869	25,817,976
Taxation	3,188,611	3,188,611	(5,141,409)	(5,141,409)
Net profit for the period	3,108,380	3,080,643	20,709,460	20,676,567
Net profit and total comprehensive income for the period	3,108,380	3,080,643	20,709,460	20,676,567
Net profit and total comprehensive income for the period attributable to:				
Owner of the Company	3,096,384	3,080,643	20,688,408	20,676,567
Unitholders	11,996	-	21,052	-
	3,108,380	3,080,643	20,709,460	20,676,567
Earnings per share attributable to owner of the Company (sen) basic	1.4	1.4	9.4	9.4

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

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020

Group	Attributable to owners of the Company			
	Share capital RM	Available for-sale reserves RM	Retained earnings RM	Total equity RM
At 1 January 2019	219,875,038	3,387,028	138,104,163	361,366,229
Effects of adoption of MFRS 9	-	(3,387,028)	44,691	(3,342,337)
At 1 January 2019 (Restated)	219,875,038	-	138,148,854	358,023,892
Net profit for the period	-	-	20,688,408	20,688,408
At 30 June 2019	219,875,038	-	158,837,262	378,712,300
At 1 January 2020	219,875,038	-	181,261,821	401,136,859
Net profit for the period	-	-	3,096,384	3,096,384
At 30 June 2020	219,875,038	-	184,358,205	404,233,243

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

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THE PACIFIC INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020

	Non-distributable		Distributable		Total equity RM
	Share capital RM	Available-for-sale reserves RM	Retained earnings RM		
Company					
At 1 January 2019	219,875,038	3,671,784	137,831,248		361,378,070
Effects of adoption of MFRS 9	-	(3,671,784)	329,447		(3,342,337)
At 1 January 2019 (Restated)	219,875,038	-	138,160,695		358,035,733
Net profit for the period	-	-	20,676,567		20,676,567
At 30 June 2019	219,875,038	-	158,837,262		378,712,300
At 1 January 2020	219,875,038	-	181,279,003		401,154,041
Net profit for the period	-	-	3,080,643		3,080,643
At 30 June 2020	219,875,038	-	184,359,646		404,234,684

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THE PACIFIC INSURANCE BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020

	6 months period ended 30.6.2020		6 months period ended 30.6.2019	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(80,231)	(107,968)	25,850,869	25,817,976
Adjustment for:				
Depreciation of property and equipment	1,211,983	1,211,983	1,136,593	1,136,593
Gain on disposal of property and equipment	(3,980)	(3,980)	(9,296)	(9,296)
Property and equipment written-off	6,345	6,345	25,543	25,543
Intangible assets written-off	-	-	2,556	2,556
Finance cost on subordinated loans	849,476	849,476	844,812	844,812
Finance cost on lease liability	178,166	178,166	235,055	235,055
Change in fair value of FVTPL financial assets	8,242,674	8,273,513	(9,038,168)	(9,512,539)
Foreign currency translation differences	(344,656)	(344,656)	10,187	10,187
Depreciation of investment properties	185,608	185,608	178,062	178,062
Amortisation of intangible assets	320,547	320,547	139,303	139,303
Depreciation of right-of-use assets	2,036,251	2,036,251	1,987,019	1,987,019
Net gain on disposal of FVTPL financial assets	(9,130,286)	(3,833,930)	(3,046,925)	-
Investment income	(10,132,061)	(15,197,719)	(9,392,595)	(11,782,564)
Bad debts recovery	(1,588,364)	(1,588,364)	(45,733)	(45,733)
(Write-back of)/Provision for allowance for impairment losses:				
Insurance receivables and reinsurance recoverables	555,069	555,069	(83,576)	(83,576)
Reinsurance assets	(65,459)	(65,459)	(158,761)	(158,761)
(Loss)/Profit from operations before changes in operating assets and liabilities	(7,758,918)	(7,525,118)	8,634,945	8,784,637
Changes in working capital:				
Purchase of investments	(320,786,734)	(162,468,125)	(369,396,910)	(56,372,090)
Proceeds from disposal/ maturity of investments	294,400,599	132,186,573	349,878,302	42,663,722
Increase in loans and receivables	160,160	160,160	39,938	39,938
Increase/(Decrease) in reinsurance assets	50,554,897	50,554,897	(39,180,998)	(39,180,998)
Increase in insurance and other receivables	(17,751,924)	(17,751,924)	(10,494,343)	(2,471,564)

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020

	6 months period ended 30.6.2020		6 months period ended 30.6.2019	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
(Decrease)/Increase in insurance contract liabilities	(53,989,902)	(53,989,902)	35,431,365	35,431,365
Decrease in insurance and other payables	(9,792,344)	(9,712,994)	(17,579,629)	(23,991,747)
Net decrease in working capital	(64,964,166)	(68,546,433)	(42,667,330)	(35,096,737)
Investment income received	10,090,074	14,925,056	8,360,675	11,286,050
Interest paid on lease liabilities	(178,166)	(178,166)	(235,055)	(235,055)
Income tax paid	(641,230)	(641,230)	(2,899,432)	(2,899,432)
Income tax refund	-	-	3,313,080	3,313,080
Net cash used in operating activities	(55,693,488)	(54,440,773)	(34,128,062)	(23,632,094)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,502,820)	(1,502,820)	(825,891)	(825,891)
Purchase of intangible assets	(7,981,496)	(7,981,496)	(144,487)	(144,487)
Proceeds from partial refund on investment property	-	-	27,972	27,972
Proceeds from disposal of property and equipment	4,354	4,354	13,806	13,806
Distribution to unitholders	11,996	-	21,051	-
Net cash used in investing activities	(9,467,966)	(9,479,962)	(907,549)	(928,600)
CASH FLOWS FROM FINANCING ACTIVITY				
Repayment of lease liabilities	(2,007,732)	(2,007,732)	(1,888,168)	(1,888,168)
Net cash used in financing activity	(2,007,732)	(2,007,732)	(1,888,168)	(1,888,168)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(67,169,186)	(65,928,467)	(36,923,779)	(26,448,862)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	182,915,615	170,764,379	199,875,565	188,325,242
CASH AND CASH EQUIVALENTS AT END OF PERIOD	115,746,429	104,835,912	162,951,786	161,876,380

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2020

	6 months period ended 30.6.2020		6 months period ended 30.6.2019	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions	110,735,018	100,025,345	129,825,931	129,825,931
Cash and cash equivalents	5,011,411	4,810,567	33,125,855	32,050,449
	<u>115,746,429</u>	<u>104,835,912</u>	<u>162,951,786</u>	<u>161,876,380</u>

Reconciliation of liabilities arising from financing activities

	2020		2019	
	<u>Principal</u> RM	<u>Interest payable</u> RM	<u>Principal</u> RM	<u>Interest payable</u> RM
<u>Group and Company</u>				
Subordinated Loans				
At 1 January	24,337,504	8,149,387	24,337,504	6,445,761
Interest charge	-	849,476	-	844,812
At 30 June	<u>24,337,504</u>	<u>8,998,863</u>	<u>24,337,504</u>	<u>7,290,573</u>

	2020	2019
	RM	RM
Lease Liability		
At 31 December 2018, as previously reported	-	-
Effects of adoption of MFRS 16	-	9,311,758
At 1 January	7,245,495	9,311,758
Cash flows	(2,185,898)	(2,123,223)
Interest charge	178,166	235,055
Lease additions	115,062	4,717
Change in consideration	(54,865)	-
At 30 June	<u>5,297,960</u>	<u>7,428,307</u>

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

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THE PACIFIC INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 40-1, Q Sentral, 2A Jalan Stesen Sentral 2, Kuala Lumpur, 50470 Kuala Lumpur.

The Company is a subsidiary of Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77. The ultimate holding company is Fairfax Financial Holdings Limited, a company incorporated in Canada.

2. BASIS OF PREPARATION

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

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's and the Company's audited financial statements for the financial year ended 31 December 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation applied in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in the preparation of the Group's and the Company's audited financial statements for the financial year ended 31 December 2019, except for the following:

Amendments to MFRS	Effective date
• Amendments to <i>MFRS 101 Presentation of Financial Statements</i> - Definition of Material	1 January 2020
• Amendments to MFRS 9, MFRS 139 and MFRS 7 - Interest Rate Benchmark Reform	1 January 2020
• Amendments to <i>MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors</i> - Definition of Material	1 January 2020
• Conceptual Framework for Financial Reporting (Revised 2018)	1 January 2020

The management expects that the adoption of the above amended standards issued by MASB do not have any material impact to the unaudited condensed interim financial statements.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. SEASONAL OR CYCLICAL FACTORS

The principal business operations of the Group and the Company were not significantly affected by seasonal or cyclical factors.

5. UNUSUAL ITEMS

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows of the Group and the Company for the current financial period ended 30 June 2020.

6. CHANGES IN ESTIMATES

There were no changes in the basis used for accounting estimates for the current financial period ended 30 June 2020.

7. ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES.

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

8. DIVIDENDS PAID

No interim dividend was paid during the current financial period ended 30 June 2020.

9. SIGNIFICANT EVENT

As Covid-19 continues to be a pandemic globally, there has been significant volatility in the financial markets and this has resulted in an adverse impact on the global business and economic activity.

The Group and the Company are closely monitoring the developing situation and the potential impact of Covid-19 on their operations and financial position to ensure vigilant steps and appropriate actions could be taken in a timely manner.

10. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current financial period that have not been reported in the interim financial statements for the current financial period ended 30 June 2020.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. EFFECT OF CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY

There were no changes in the composition of the Group and the Company during the current financial period ended 30 June 2020.

12. CONTINGENT LIABILITIES

There were no contingent liabilities since the last financial year ended 31 December 2019.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. INVESTMENT PROPERTIES

<u>Group/Company</u>	<u>As at</u> <u>30.6.2020</u> RM	<u>As at</u> <u>31.12.2019</u> RM
<u>Cost</u>		
At 1 January	18,496,596	17,834,200
Additions	-	662,396
At 30 June/31 December	<u>18,496,596</u>	<u>18,496,596</u>
<u>Accumulated depreciation</u>		
At 1 January	1,699,873	1,339,977
Charge for the period	185,608	359,896
At 30 June/31 December	<u>1,885,481</u>	<u>1,699,873</u>
Net book value	<u>16,611,115</u>	<u>16,796,723</u>
Fair value	<u>18,850,000</u>	<u>18,850,000</u>

The fair value of the properties are estimated at RM18,850,000 based on valuations performed by an independent professionally qualified valuer. The fair value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. INVESTMENT PROPERTIES (CONTINUED)

The fair value of investment properties are categorised at Level 2 of the fair value hierarchy. Fair value of the investment properties are measured in whole by reference to inputs other than the quoted price included within Level 1 that are observable for the investment properties, either directly or indirectly. The investment properties are valued using the Comparison Method.

There were no transfers between Level 1 and 2 fair value measurements during the interim period.

As at 30 June 2020, the two commercial investment properties held by the Company are leased to third parties.

The following are recognised in the statements of comprehensive income in respect of investment properties:

<u>Group/Company</u>	<u>30.6.2020</u>	<u>30.6.2019</u>
	RM	RM
Rental income	616,613	600,413
Direct operating expenses	108,850	110,034

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. INTANGIBLE ASSETS

<u>Group/Company</u>	<u>Goodwill</u> RM	<u>Computer Software</u> RM	<u>Capital work-in progress</u> RM	<u>Total</u> RM
<u>30.6.2020</u>				
<u>Cost</u>				
At 1 January 2020	40,103,501	1,868,607	1,124,665	43,096,773
Additions	-	7,946,516	34,980	7,981,496
Written Off	-	(3,158)	-	(3,158)
Reclassification	-	1,124,665	(1,124,665)	-
Reclassification from property and equipment	-	19,199	-	19,199
At 30 June 2020	40,103,501	10,955,829	34,980	51,094,310
<u>Accumulated Amortisation</u>				
At 1 January 2020	-	1,387,930	-	1,387,930
Charge for the period	-	320,547	-	320,547
Written Off	-	(3,158)	-	(3,158)
At 30 June 2020	-	1,705,319	-	1,705,319
Net book value	40,103,501	9,250,510	34,980	49,388,991

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14. INTANGIBLE ASSETS (CONTINUED)

<u>Group/Company</u>	<u>Goodwill</u> RM	<u>Computer Software</u> RM	<u>Capital work-in progress</u> RM	<u>Total</u> RM
<u>31.12.2019</u>				
<u>Cost</u>				
At 1 January 2019	40,103,501	1,580,490	542,543	42,226,534
Additions	-	160,599	582,122	742,721
Written Off	-	(25,762)	-	(25,762)
Reclassification from property and equipment	-	153,280	-	153,280
At 31 December 2019	40,103,501	1,868,607	1,124,665	43,096,773
<u>Accumulated Amortisation</u>				
At 1 January 2019	-	1,053,903	-	1,053,903
Charge for the financial year	-	357,234	-	357,234
Written Off	-	(23,207)	-	(23,207)
At 31 December 2019	-	1,387,930	-	1,387,930
Net book value	40,103,501	480,677	1,124,665	41,708,843

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INVESTMENTS

	As at 30.6.2020		As at 31.12.2019	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Malaysian Government Securities	72,890,851	-	55,155,902	-
Government Investment Issues	98,305,823	-	108,921,976	-
Corporate Bonds	137,437,288	-	131,725,569	-
Unit Trust Investments	135,583,433	454,318,822	172,228,508	479,334,485
Equity securities	81,639,004	81,639,004	30,122,056	30,122,056
Real Estate Investment Trusts ("REITs")	10,268,000	10,268,000	3,356,200	3,356,200
Deposits with Licensed Financial Institutions	48,820,432	48,820,432	55,774,229	55,774,229
	<u>584,944,831</u>	<u>595,046,258</u>	<u>557,284,440</u>	<u>568,586,970</u>

The financial investments are summarised by categories as follows:

Fair value through profit or loss financial assets ("FVTPL")	536,124,399	546,225,826	501,510,211	512,812,741
Amortised cost ("AC")	48,820,432	48,820,432	55,774,229	55,774,229
	<u>584,944,831</u>	<u>595,046,258</u>	<u>557,284,440</u>	<u>568,586,970</u>

The following investments mature
after 12 months:

FVTPL financial assets	<u>291,912,587</u>	-	<u>277,572,945</u>	-
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INVESTMENTS (CONTINUED)

	As at 30.6.2020		As at 31.12.2019	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	RM	RM	RM	RM
(a) FVTPL financial assets				
<u>Fair value</u>				
Malaysian Government Securities	72,890,851	-	55,155,902	-
Government Investment Issues	98,305,823	-	108,921,976	-
Unit Trust Investments:				
- Quoted in Malaysia	135,583,433	135,583,433	172,228,508	172,228,508
- Unquoted in Malaysia	-	318,735,389	-	307,105,977
Corporate bonds	137,437,288	-	131,725,569	-
Equity securities	81,639,004	81,639,004	30,122,056	30,122,056
REITs	10,268,000	10,268,000	3,356,200	3,356,200
	<u>536,124,399</u>	<u>546,225,826</u>	<u>501,510,211</u>	<u>512,812,741</u>

(b) AC

Amortised cost

Deposits with Commercial Banks	<u>48,820,432</u>	<u>48,820,432</u>	<u>55,774,229</u>	<u>55,774,229</u>
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Deposits with Commercial Banks have interest rates which range from 2.60% to 3.75% (31.12.2019: 3.45% to 4.10%) per annum with an average maturity period of 365 days (31.12.2019: 365 days).

(c) Carrying values of financial investments

	<u>FVTPL</u>	<u>AC</u>	<u>Total</u>
	RM	RM	RM
<u>30.6.2020</u>			
<u>Group</u>			
At 1 January 2020	501,510,211	55,774,229	557,284,440
Purchases	311,367,293	9,419,441	320,786,734
Maturities	(22,497,600)	(16,645,901)	(39,143,501)
Disposals	(246,126,812)	-	(246,126,812)
Fair value losses recorded in			
Statements of Comprehensive Income	(8,242,674)	-	(8,242,674)
Currency translations differences	344,656	-	344,656
Movement in accrued interest	64,398	272,663	337,061
Amortisation of premiums	(295,073)	-	(295,073)
At 30 June 2020	<u>536,124,399</u>	<u>48,820,432</u>	<u>584,944,831</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INVESTMENTS (CONTINUED)

(c) Carrying values of financial investments (continued)

	<u>AFS</u> RM	<u>FVTPL</u> RM	<u>AC</u> RM	<u>Total</u> RM
<u>31.12.2019</u>				
<u>Group</u>				
At 1 January 2019	442,729,936	31,426,016	52,312,288	526,468,240
Effects of adoption of MFRS 9	(442,729,936)	442,729,936	-	-
At 1 January 2019 (Restated)	-	474,155,952	52,312,288	526,468,240
Purchases	-	544,029,847	54,778,213	598,808,060
Maturities	-	(34,953,300)	(51,394,379)	(86,347,679)
Disposals	-	(488,645,695)	-	(488,645,695)
Fair value gains recorded in Statements of Comprehensive Income	-	7,327,022	-	7,327,022
Currency translations differences	-	(31,579)	-	(31,579)
Movement in accrued interest	-	(48,370)	78,107	29,737
Dividend received	-	(84,196)	-	(84,196)
Amortisation of premiums	-	(239,470)	-	(239,470)
At 31 December 2019	<u>-</u>	<u>501,510,211</u>	<u>55,774,229</u>	<u>557,284,440</u>
<u>30.6.2020</u>				
<u>Company</u>				
At 1 January 2020	-	512,812,741	55,774,229	568,586,970
Purchases	-	153,048,684	9,419,441	162,468,125
Maturities	-	-	(16,645,901)	(16,645,901)
Disposals	-	(111,706,742)	-	(111,706,742)
Fair value losses recorded in Statements of Comprehensive Income	-	(8,273,513)	-	(8,273,513)
Currency translations differences	-	344,656	-	344,656
Movement in accrued interest	-	-	272,663	272,663
At 30 June 2020	<u>-</u>	<u>546,225,826</u>	<u>48,820,432</u>	<u>595,046,258</u>

THE PACIFIC INSURANCE BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INVESTMENTS (CONTINUED)

(c) Carrying values of financial investments (continued)

	<u>AFS</u> RM	<u>FVTPL</u> RM	<u>AC</u> RM	<u>Total</u> RM
<u>2019</u>				
<u>Company</u>				
At 1 January 2019	453,463,740	31,426,016	52,312,288	537,202,044
Effects of adoption of MFRS 9	(453,463,740)	453,463,740	-	-
At 1 January 2019 (Restated)	-	484,889,756	52,312,288	537,202,044
Purchases	-	57,283,855	54,778,213	112,062,068
Maturities	-	(30,000,000)	(51,394,379)	(81,394,379)
Disposals	-	(7,000,000)	-	(7,000,000)
Fair value gains recorded in Statements of Comprehensive Income	-	7,873,999	-	7,873,999
Currency translations differences	-	(31,579)	-	(31,579)
Movement in accrued interest	-	(119,094)	78,107	(40,987)
Dividend received	-	(84,196)	-	(84,196)
At 31 December 2019	<u>-</u>	<u>512,812,741</u>	<u>55,774,229</u>	<u>568,586,970</u>

(d) Fair values of financial investments

The following tables show financial investments recorded at fair value analysed by the different basis of fair values and valuation methods as follows:

<u>Group</u>	<u>Level 1</u> RM	<u>Level 2</u> RM
<u>30.6.2020</u>		
<u>FVTPL</u>		
- Malaysian Government Securities	-	72,890,851
- Government Investment Issues	-	98,305,823
- Corporate Bonds	-	137,437,288
- Unit Trust Investments	135,583,433	-
- Equity Securities	81,639,004	-
- Real Estate Investment Trusts ("REITs")	10,268,000	-
	<u>227,490,437</u>	<u>308,633,962</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments (continued)

	<u>Level 1</u>	<u>Level 2</u>
	RM	RM
<u>31.12.2019</u>		
FVTPL		
- Malaysian Government Securities	-	55,155,902
- Government Investment Issues	-	108,921,976
- Corporate Bonds	-	131,725,569
- Unit Trust Investments	172,228,508	
- Equity Securities	30,122,056	-
- Real Estate Investment Trusts ("REITs")	3,356,200	-
	<u>205,706,764</u>	<u>295,803,447</u>
<u>Company</u>		
<u>30.6.2020</u>		
<u>Recurring fair value measurements</u>		
FVTPL		
- Unit Trust Investments	135,583,433	318,735,389
- Equity Securities	81,639,004	-
- Real Estate Investment Trusts ("REITs")	10,268,000	-
	<u>227,490,437</u>	<u>318,735,389</u>
<u>31.12.2019</u>		
<u>Recurring fair value measurements</u>		
FVTPL		
- Unit Trust Investments	172,228,508	307,105,977
- Equity Securities	30,122,056	-
- Real Estate Investment Trusts ("REITs")	3,356,200	-
	<u>205,706,764</u>	<u>307,105,977</u>

Included in the quoted market price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis (Level 1).

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15. INVESTMENTS (CONTINUED)

(d) Fair values of financial investments (continued)

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes (Level 2).

Financial instruments that are valued not based on observable market data are categorised as Level 3. There are no financial instruments categorised as Level 3.

There were no transfers between level 1 and 2 during the interim period.

16. REINSURANCE ASSETS

	<u>As at</u> <u>30.6.2020</u>	<u>As at</u> <u>31.12.2019</u>
	RM	RM
<u>Group/Company</u>		
Reinsurance of insurance contracts (Note 18)	<u>583,656,984</u>	<u>634,146,422</u>

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair value at the date of the statements of financial position.

17. INSURANCE AND OTHER RECEIVABLES

	<u>As at 30.6.2020</u>		<u>As at 31.12.2019</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	RM	RM	RM	RM
Due premiums including agents /brokers and co-insurers balances	57,920,999	57,920,999	39,321,373	39,321,373
Allowance for impairment	(1,528,657)	(1,528,657)	(1,001,336)	(1,001,336)
	<u>56,392,342</u>	<u>56,392,342</u>	<u>38,320,037</u>	<u>38,320,037</u>
Amounts due from reinsurers/ ceding companies	21,185,153	21,185,153	26,361,557	26,361,557
Allowance for impairment	(4,726,003)	(4,726,003)	(4,698,254)	(4,698,254)
	<u>16,459,150</u>	<u>16,459,150</u>	<u>21,663,303</u>	<u>21,663,303</u>
Total insurance receivables and reinsurance recoverables	<u>72,851,492</u>	<u>72,851,492</u>	<u>59,983,340</u>	<u>59,983,340</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

17. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

	As at 30.6.2020		As at 31.12.2019	
	<u>Group</u> RM	<u>Company</u> RM	<u>Group</u> RM	<u>Company</u> RM
Other receivables:				
Other receivables, deposits and prepayments	13,642,416	13,642,416	6,897,756	6,897,756
Malaysian Motor Insurance Pool ("MMIP")				
- Cash call made	16,859,477	16,859,477	16,859,477	16,859,477
- Other assets held in MMIP	31,245,798	31,245,798	32,029,403	32,029,403
Income due and accrued	321,962	321,962	365,940	365,940
Total other receivables	<u>62,069,653</u>	<u>62,069,653</u>	<u>56,152,576</u>	<u>56,152,576</u>
Total insurance and other receivables	<u>134,921,145</u>	<u>134,921,145</u>	<u>116,135,916</u>	<u>116,135,916</u>
Receivable within 12 months	<u>134,921,145</u>	<u>134,921,145</u>	<u>116,135,916</u>	<u>116,135,916</u>
Receivable after 12 months	<u>48,105,275</u>	<u>48,105,275</u>	<u>48,888,880</u>	<u>48,888,880</u>

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

MMIP as at 30 June 2020 is a net receivable of RM16,769,823 (31.12.2019: RM14,535,624) after setting-off the amount payable from MMIP against the Company's share of claims and premium liabilities amounting to RM31,335,452 (31.12.2019: RM34,353,176) included in Note 18 to the unaudited condensed interim financial statements.

Financial assets

There is no netting off of the gross amount of recognised financial assets against the gross amount of financial liabilities in the statements of financial position.

There are no financial assets that are subject to enforceable master netting arrangements or similar arrangements to financial instruments received as collateral or any cash collateral pledged or received (31.12.2019: Nil).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. INSURANCE CONTRACT LIABILITIES

Group/Company	As at 30.6.2020			As at 31.12.2019		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	485,910,899	(306,056,822)	179,854,077	541,989,132	(354,494,607)	187,494,525
Provision for incurred but not reported ("IBNR")	257,642,413	(170,337,819)	87,304,594	218,296,611	(138,711,488)	79,585,123
	743,553,312	(476,394,641)	267,158,671	760,285,743	(493,206,095)	267,079,648
Less: impairment loss on reinsurance assets	-	290,874	290,874	-	356,333	356,333
Claim liabilities (i)	743,553,312	(476,103,767)	267,449,545	760,285,743	(492,849,762)	267,435,981
Premium liabilities (ii)	220,731,446	(107,553,217)	113,178,229	257,988,917	(141,296,660)	116,692,257
	964,284,758	(583,656,984)	380,627,774	1,018,274,660	(634,146,422)	384,128,238
(i) Claim liabilities						
At 1 January	760,285,743	(493,206,095)	267,079,648	679,374,710	(390,528,025)	288,846,685
Claims incurred in the current accident year	200,430,040	(118,122,730)	82,307,310	440,585,764	(263,171,704)	177,414,060
Claims incurred in prior accident years	(56,613,383)	55,482,958	(1,130,425)	(52,789,206)	21,227,391	(31,561,815)
Movement in PRAD of claim liabilities at 75% confidence level	(3,152,728)	1,749,619	(1,403,110)	4,471,949	(11,583,866)	(7,111,917)
Movement in claims handling expenses	245,143	-	245,143	30,042	-	30,042
Claims paid during the financial year	(157,641,503)	77,701,608	(79,939,895)	(311,387,516)	150,850,109	(160,537,407)
	743,553,312	(476,394,641)	267,158,671	760,285,743	(493,206,095)	267,079,648
Less: Impairment loss on reinsurance assets	-	290,874	290,874	-	356,333	356,333
At 30 June/31 December	743,553,312	(476,103,767)	267,449,545	760,285,743	(492,849,762)	267,435,981

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premium liabilities

	As at 30.6.2020		As at 31.12.2019	
	Gross RM	Reinsurance RM	Gross RM	Reinsurance RM
At 1 January	257,988,917	(141,296,660)	259,518,296	(137,909,468)
Premiums written during the financial year	223,119,459	(107,411,718)	549,681,619	(296,196,583)
Premiums earned during the financial year	(260,376,930)	141,155,161	(551,210,998)	292,809,391
At 30 June/31 December	220,731,446	(107,553,217)	257,988,917	(141,296,660)
				116,692,257

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

19. CAPITAL COMMITMENTS

	<u>30.6.2020</u>	<u>31.12.2019</u>
	RM	RM
<u>Group/Company</u>		
Approved and contracted for:		
Intangible asset	-	6,382,129
Computers	18,190	894,004
Renovations	23,680	-
Furniture and fittings	13,447	482
	<u>55,317</u>	<u>7,276,615</u>
Approved and not contracted for:		
Computers	-	7,950
	<u>-</u>	<u>7,950</u>

20. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) The Company is a subsidiary of Fairfax Asia Limited, a company incorporated under the Barbados Companies Act and licensed under the International Business Companies Act, Cap 77. The ultimate holding company is Fairfax Financial Holdings Limited ("FFHL"), a company incorporated in Canada.
- (b) The significant related party transactions during the financial period and balances at the end of the financial period between the Group and the Company, and their related parties were as follows:

	6 months period ended	6 months period ended
	<u>30.6.2020</u>	<u>30.6.2019</u>
<u>Significant transactions</u>	RM	RM
<u>Group/Company</u>		
Corporate shareholder:		
- Koperasi MCIS Berhad		
<u>Expense</u>		
Rental of premise	134,553	134,553

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20. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (b) The significant related party transactions during the financial period and balances at the end of the financial period between the Group and the Company, and their related parties were as follows (continued):

<u>Significant transactions (continued)</u>	<u>6 months period ended 30.6.2020</u>	<u>6 months period ended 30.6.2019</u>
	RM	RM
<u>Group/Company</u>		
Fellow subsidiaries within FFHL Group:		
<u>Income</u>		
Claim recovery		
- Wentworth Insurance Company Limited (Labuan)	6,900,617	3,306,745
- Allied World Assurance Company, Ltd (Labuan)	(66,632)	18,550
- CRC Reinsurance Limited (Barbados)	10,791	13,506
	<u>6,844,776</u>	<u>3,338,801</u>
Commission Income		
- CRC Reinsurance Limited (Barbados)	2,628	3,493
- Wentworth Insurance Company Limited (Labuan)	703,847	2,423,999
- Allied World Assurance Company, Ltd (Labuan)	289,830	231,403
	<u>996,304</u>	<u>2,658,895</u>
<u>Expense</u>		
Reinsurance premium ceded		
- CRC Reinsurance Limited (Barbados)	10,503	13,972
- Wentworth Insurance Company Limited (Labuan)	10,920,915	14,153,213
- Allied World Assurance Company, Ltd (Labuan)	1,595,992	1,482,849
	<u>12,527,410</u>	<u>15,650,034</u>
Interest expense on premium withheld		
- Wentworth Insurance Company Limited (Labuan)	46,201	63,728
Investment management fees		
- Hamblin Watsa Investment Counsel Ltd	1,055,257	1,055,533
Management fees		
- Fairfax Asia Limited	1,425,862	1,560,000
Finance cost		
- Fairfax Asia Limited	849,476	844,811
Information Technology maintenance service		
- FFH Management Services Ltd	120,000	-

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

- (b) The significant related party transactions during the financial period and balances at the end of the financial period between the Group and the Company, and their related parties were as follows (continued):

	6 months period ended <u>30.6.2020</u>	6 months period ended <u>30.6.2019</u>
	RM	RM
<u>Significant transactions (continued)</u>		
<u>Group/Company</u>		
Associate company within FFHL Group:		
- Singapore Reinsurance Corporation Limited		
<u>Income</u>		
Commission income	16,306,845	17,839,082
Claim recovery	960,023	131,401
	<u>17,266,868</u>	<u>17,970,483</u>
<u>Expense</u>		
Reinsurance premium ceded	70,125,629	75,335,403
Interest expense on premium withheld	140,494	196,720
	<u>70,266,123</u>	<u>75,532,123</u>
<u>Payables/(Receivables)</u>		
Other balances due to/(due from)		
- CRC Reinsurance Limited (Barbados)	27,205	221,557
- Wentworth Insurance Company Limited (Labuan)	11,832,399	15,255,076
- Fairfax Asia Limited	39,660,260	35,302,660
- Hamblin Watsa Investment Counsel Ltd	(17,134)	2,082,793
- Allied World Assurance Company, Ltd (Labuan)	1,201,034	1,117,286
- Singapore Reinsurance Corporation Limited	29,203,347	26,576,894
- PT Asuransi Multi Artha Guna TBK	(14,634)	-
- FFH Management Services Ltd	120,000	-
	<u>82,012,477</u>	<u>80,556,266</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CONTINUED)

21. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2020, as prescribed under the Risk-Based Capital Framework is provided below:

	<u>30.6.2020</u>	<u>31.12.2019</u>
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	219,875,038	219,875,038
Reserves, including retained earnings	184,359,646	181,279,003
	<u>404,234,684</u>	<u>401,154,041</u>
<u>Tier 2 Capital</u>		
Subordinated term debts	33,336,367	32,486,891
<u>Deductions</u>		
Goodwill & other intangible assets	(49,388,991)	(41,708,843)
Deferred tax assets	(6,200,464)	(3,011,853)
	<u>(55,589,455)</u>	<u>(44,720,696)</u>
Total Capital Available	<u>381,981,596</u>	<u>388,920,236</u>