

**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD  
(735426-V)**

UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2019

# **ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

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**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2019-UNAUDITED**

	Note	30.6.2019 RM'000	31.12.2018 RM'000
<b>Assets</b>			
Property, plant and equipment		69,348	80,427
Right-of-use assets		58,589	-
Investment properties		16,074	16,074
Intangible assets		78,786	87,017
Deferred tax assets		-	14,051
Investments		4,343,489	4,120,468
Reinsurance assets	7	831,603	837,426
Insurance receivables		216,571	147,401
Loans and receivables		104,608	99,186
Deferred acquisition costs		99,365	95,060
Current tax assets		50	4,045
Cash and cash equivalents		357,682	490,036
<b>Total assets</b>		<b>6,176,165</b>	<b>5,991,191</b>
<b>Equity and liabilities</b>			
Share capital		379,168	379,168
Retained earnings		1,703,510	1,570,973
Other reserves		76,810	30,148
<b>Total equity</b>		<b>2,159,488</b>	<b>1,980,289</b>
Insurance contract liabilities	8	3,574,384	3,505,618
Insurance payables		201,958	196,348
Other payables and accruals		187,837	308,936
Lease liabilities		48,976	-
Deferred tax liabilities		3,522	-
<b>Total liabilities</b>		<b>4,016,677</b>	<b>4,010,902</b>
<b>Total equity and liabilities</b>		<b>6,176,165</b>	<b>5,991,191</b>

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

**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
FOR THE HALF-YEAR ENDED 30 JUNE 2019-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2019 RM'000	Preceding year Corresponding Half-Yearly 30.6.2018 RM'000	Current Year To Date 30.6.2019 RM'000	Preceding year Corresponding Period 30.6.2018 RM'000
Operating revenue	1,153,683	1,178,559	1,153,683	1,178,559
Gross earned premiums	1,061,110	1,090,035	1,061,110	1,090,035
Premiums ceded to reinsurers	(140,313)	(137,097)	(140,313)	(137,097)
<b>Net earned premiums</b>	<b>920,797</b>	<b>952,938</b>	<b>920,797</b>	<b>952,938</b>
Investment income	92,573	88,524	92,573	88,524
Realised gains and losses	1,352	103	1,352	103
Fee and commission income	20,001	16,588	20,001	16,588
Other operating income	2,954	376	2,954	376
<b>Other revenue</b>	<b>116,880</b>	<b>105,591</b>	<b>116,880</b>	<b>105,591</b>
Gross claim paid	(565,848)	(667,628)	(565,848)	(667,628)
Claims ceded to reinsurers	54,952	61,250	54,952	61,250
Gross change to contract liabilities	(61,133)	27,833	(61,133)	27,833
Change in contract liabilities ceded to reinsurers	20,433	(11,978)	20,433	(11,978)
<b>Net claims incurred</b>	<b>(551,596)</b>	<b>(590,523)</b>	<b>(551,596)</b>	<b>(590,523)</b>
Fee and commission expense	(131,509)	(135,497)	(131,509)	(135,497)
Management expenses	(172,758)	(164,972)	(172,758)	(164,972)
Finance cost	(1,012)	-	(1,012)	-
Other operating expenditure	(2,428)	(2,181)	(2,428)	(2,181)
<b>Other expenses</b>	<b>(307,707)</b>	<b>(302,650)</b>	<b>(307,707)</b>	<b>(302,650)</b>
<b>Profit before tax</b>	<b>178,374</b>	<b>165,356</b>	<b>178,374</b>	<b>165,356</b>
Tax expense	(45,837)	(45,227)	(45,837)	(45,227)
<b>Profit for the period</b>	<b>132,537</b>	<b>120,129</b>	<b>132,537</b>	<b>120,129</b>
<b>Profit attributable to:</b>				
Owners of the Company	132,537	120,129	132,537	120,129

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

**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 30 JUNE 2019-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2019 RM'000	Preceding year Corresponding Half-Yearly 30.6.2018 RM'000	Current Year To Date 30.6.2019 RM'000	Preceding year Corresponding Period 30.6.2018 RM'000
<b>Profit for the period</b>	132,537	120,129	132,537	120,129
<b>Other comprehensive income</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Fair value of available-for-sale ("AFS") financial assets				
- Net unrealised gain/(loss) arising arising during the year	60,050	(18,989)	60,050	(18,989)
- Realised gain transferred to income statement	1,348	108	1,348	108
	61,398	(18,881)	61,398	(18,881)
Tax effects thereon	(14,736)	4,531	(14,736)	4,531
	46,662	(14,350)	46,662	(14,350)
<b>Other comprehensive income for the period, net of tax</b>	46,662	(14,350)	46,662	(14,350)
<b>Total comprehensive income for the period</b>	179,199	105,779	179,199	105,779
<b>Total comprehensive income attributable to: Owners of the Company</b>	179,199	105,779	179,199	105,779

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**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF-YEAR ENDED 30 JUNE 2019 - UNAUDITED**

	← Non distributable →				Distributable	Total equity RM'000
	Share Capital	Capital reserve	Fair value reserve	Asset revaluation reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2018</b>	379,168	4,523	9,658	15,542	1,498,119	1,907,010
Fair value of available-for-sale financial assets	-	-	(14,350)	-	-	(14,350)
<b>Total other comprehensive income for the period</b>	-	-	(14,350)	-	-	(14,350)
Profit for the period	-	-	-	-	120,129	120,129
<b>Total comprehensive income for the period</b>	-	-	(14,350)	-	120,129	105,779
<b>At 30 June 2018</b>	379,168	4,523	(4,692)	15,542	1,618,248	2,012,789
<b>At 1 January 2019</b>	379,168	4,523	10,083	15,542	1,570,973	1,980,289
Fair value of available-for-sale financial assets	-	-	46,662	-	-	46,662
<b>Total other comprehensive income for the period</b>	-	-	46,662	-	-	46,662
Profit for the period	-	-	-	-	132,537	132,537
<b>Total comprehensive income for the period</b>	-	-	46,662	-	132,537	179,199
<b>At 30 June 2019</b>	379,168	4,523	56,745	15,542	1,703,510	2,159,488

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**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

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**CONDENSED INTERIM STATEMENT OF CASH FLOW  
FOR THE HALF-YEAR ENDED 30 JUNE 2019-UNAUDITED**

	As at 30.6.2019	As at 30.6.2018
<b>Operating activities</b>		
<b>Profit before tax</b>	178,374	165,356
Investment income	(92,573)	(88,524)
Realised gain recorded in profit or loss	(1,348)	(108)
Realised (gain)/ loss on disposal of property,plant and equipment	(4)	5
Purchases of available-for-sale financial investments	(596,760)	(220,063)
Placement of fixed deposits	(86,948)	(60,735)
Maturity of fixed deposits	92,251	64,586
Proceeds from sale of available-for-sale financial investments	158,669	25,988
Maturity of available-for-sale financial investments	271,000	151,988
<b>Non-cash items:</b>		
Depreciation of property,plant and equipment	4,109	4,941
Depreciation of right-of-use assets	7,436	-
Amortisation of intangible assets	6,076	5,085
Allowance for impairment loss on receivables	7,795	3,224
Bad debts recovered	(38)	(47)
Property,plant and equipment written off	814	23
Bad debts written off on receivables	-	106
Interest expense	352	359
Interest on lease liabilities	1,012	-
<b>Changes in working capital:</b>		
Change in reinsurance assets	5,823	30,563
Change in insurance receivables	(76,927)	(5,242)
Change in loans and other receivables	(4,246)	(13,288)
Change in deferred acquisition costs	(4,305)	(1,133)
Change in insurance contract liabilities	68,766	(22,059)
Change in insurance payables	5,610	(223)
Change in other payables and accruals	38,179	16,863
	<u>(16,883)</u>	<u>57,665</u>
Interest income received	84,658	87,358
Dividend income received	7,949	-
Rental income received	305	173
Income tax paid	(39,005)	(32,668)
<b>Net cash flows generated from operating activities</b>	<u>37,024</u>	<u>112,528</u>

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**CONDENSED INTERIM STATEMENT OF CASH FLOW  
FOR THE HALF-YEAR ENDED 30 JUNE 2019-UNAUDITED**

	As at 30.6.2019	As at 30.6.2018
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	83	-
Proceeds from disposal of intangible assets	6,393	-
Purchase of property, plant and equipment	(4,360)	(2,578)
Purchase of intangible assets	(4,239)	(6,580)
<b>Net cash flows used in investing activities</b>	<u>(2,123)</u>	<u>(9,158)</u>
<b>Financing activities</b>		
Dividends paid to owner of the Company	(159,630)	(79,625)
Repayment of lease liabilities	(7,625)	-
<b>Net cash flows used in financing activities</b>	<u>(167,255)</u>	<u>(79,625)</u>
Net (decrease)/ increase in cash and cash equivalents	(132,354)	23,745
Cash and cash equivalents at beginning of year	490,036	213,035
Cash and cash equivalents at end of period	<u>357,682</u>	<u>236,780</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	343,362	234,699
Cash and bank balances	14,320	2,081
	<u>357,682</u>	<u>236,780</u>

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# ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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## Part A: Explanatory notes to the condensed financial statements

### 1. Basis of preparation

The condensed interim financial statements of the Company have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018.

### 2. Changes in accounting policies

The accounting policies and presentation adopted by the Company for the Report are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

MFRS 16, *Leases*

IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

#### **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

The Company's business activities are predominantly insurance and hence qualify for the temporary exemption from applying MFRS 9 under the Amendments to MFRS 4, *Insurance Contracts*. Hence, the Company will defer and adopt MFRS 9 together with MFRS 17, *Insurance Contracts* on 1 January 2021.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9 and intends to adopt MFRS 9 together with MFRS 17 on 1 January 2021.

#### **Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts**

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 'Financial Instruments' before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

The amendments provide 2 different approaches for the Company:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional

## ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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### 2. Changes in accounting policies (continued)

#### Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018 and may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2021.

The following additional disclosures, required by MFRS 9 for company qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

	Fair value as at 30.6.2019	Change in fair value	Cash flows characteristic
	RM'000	RM'000	
Financial assets			
Malaysian government securities	1,571,776	21,820	SPPI
Malaysian government guaranteed bonds	716,473	18,709	SPPI
Unquoted debt securities	1,375,274	20,636	SPPI
Unquoted unit trust in Malaysia	505,650	271	Non-SPPI
Commercial paper	34,949	-	SPPI
Negotiable certificates of deposits	20,845	(37)	SPPI
Fixed deposits with licensed banks	118,523	-	SPPI
Loans and other receivables	104,608	-	SPPI
Cash and cash equivalents	357,682	-	SPPI
	<u>4,805,779</u>	<u>61,399</u>	

\* Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17, Insurance Contracts.

Other than the financial assets included in the table above and assets that are within the scope of MFRS 17, Insurance Contract, all other assets in the statement of financial position are non-financial assets.

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**2. Changes in accounting policies (continued)****Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts  
(continued)**

	<b>Financial assets with SPPI cash flows RM'000</b>	<b>All other financial assets RM'000</b>	<b>Total* RM'000</b>
<b>Changes in fair value during the year</b>			
<u>Investments</u>			
Malaysian government securities	21,820	-	21,820
Malaysian government guaranteed bonds	18,709	-	18,709
Unquoted debt securities	20,636	-	20,636
Unquoted unit trust in Malaysia	-	271	271
Negotiable certificates of deposits	(37)	-	(37)
	<u>61,128</u>	<u>271</u>	<u>61,399</u>

**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

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**2. Changes in accounting policies (continued)****Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)****Financial assets with SPPI cash flows****Gross carrying amounts under MFRS 139 by credit risk rating grades****Investments**

	AAA	AA	A	BBB	Non-investment grade	Non-rated	Past-due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	-	-	-	-	-	1,571,776	-	1,571,776
Malaysian government guaranteed bonds	-	-	-	-	-	716,473	-	716,473
Unquoted debt securities	842,950	508,291	20,283	11,097	-	-	-	1,382,621
Commercial paper	-	34,949	-	-	-	-	-	34,949
Negotiable certificates of deposits	20,845	-	-	-	-	-	-	20,845
Fixed deposits	47,600	70,922	-	-	-	-	-	118,522
Loans and other receivables	-	-	-	-	-	104,608	-	104,608
Cash and cash equivalents	248,383	109,296	-	-	-	3	-	357,682
	<u>1,159,778</u>	<u>723,458</u>	<u>20,283</u>	<u>11,097</u>	<u>-</u>	<u>2,392,860</u>	<u>-</u>	<u>4,307,476</u>

\* All financial assets with SPPI cash flows of the Company as at 30 June 2019 have low credit risk.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2019 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

## ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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### 2. Changes in accounting policies (continued)

#### MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company adopted MFRS 16 using the modified restrospective approach and measured the right-of-use assets equals to the lease liabilities as at 1 January 2019 with no restatement of comparative information. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rates as at 1 January 2019.

The Company has applied the following practical expedients permitted by MFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The adoption of MFRS 16, Leases has resulted in changes in the Company's accounting policies. The effect arising from these changes on the statement of financial position of the Company are as follow:

	31.12.2018 RM'000	Effects on adoption of MFRS 16 RM'000	1.1.2019 RM'000
<b>Assets</b>			
Property, plant and equipment	80,427	(10,004)	70,423
Right of use assets	-	65,592	65,592
<b>Liabilities</b>			
Lease liabilities	-	55,588	55,588

**3. Items of an unusual nature**

The results of the Company for the financial period under review were not substantially affected by any item, transaction or event of a material and unusual nature.

**4. Changes in estimates**

There were no significant changes in basis used for amounts reported in prior financial year that have a material effect in the financial period under review.

**5. Seasonal or cyclical factors**

The operations of the Company for the financial period under review were not significantly affected by seasonality or cyclical factors.

**6. Property, plant and equipment**

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. There were no changes in the valuation of property, plant and equipment that were brought forward from the Company's audited financial statements for the year ended 31 December 2018.

**7. Reinsurance assets**

	<b>30.6.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>		
<b>Reinsurance of insurance contracts</b>		
Claims liabilities	279,065	271,333
<b>Current</b>		
<b>Reinsurance of insurance contracts</b>		
Claims liabilities	458,444	445,743
Allowance for impairment	(2,615)	(2,615)
	455,829	443,128
Premium liabilities	96,709	122,965
	552,538	566,093
	831,603	837,426

**8. Insurance contract liabilities**

General insurance contract liabilities consist of:

	<b>30.6.2019</b>			<b>31.12.2018</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for claims reported	1,855,874	(528,932)	1,326,942	1,734,155	(517,351)	1,216,804
Provision for incurred but not reported claims	680,650	(208,577)	472,073	741,236	(199,725)	541,511
	2,536,524	(737,509)	1,799,015	2,475,391	(717,076)	1,758,315
Allowance for impairment	-	2,615	2,615	-	2,615	2,615
Provision for outstanding claims (i)	2,536,524	(734,894)	1,801,630	2,475,391	(714,461)	1,760,930
Provision for unearned premiums (ii)	1,037,860	(96,709)	941,151	1,030,227	(122,965)	907,262
	3,574,384	(831,603)	2,742,781	3,505,618	(837,426)	2,668,192

**8. Insurance contract liabilities (continued)**

## (i) Provision for outstanding claims

	30.6.2019			31.12.2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	2,475,391	(717,076)	1,758,315	2,402,386	(695,905)	1,706,481
Claims incurred in the current accident year	744,729	(97,325)	647,404	1,465,758	(149,376)	1,316,382
Adjustment to claims incurred in prior accident year	(4,641)	(5,919)	(10,560)	2,405	5,603	8,008
Other movements in claims incurred in prior accident year	(113,107)	30,474	(82,633)	(141,959)	(4,627)	(146,586)
Claims paid during the year	(565,848)	54,952	(510,896)	(1,253,199)	129,844	(1,123,355)
At 30 June / 31 December	2,536,524	(734,894)	1,801,630	2,475,391	(714,461)	1,760,930

## (ii) Provision for unearned premium

	30.6.2019			31.12.2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,030,227	(122,965)	907,262	1,072,388	(129,043)	943,345
Premiums written in the year	1,068,743	(114,057)	954,686	2,121,319	(229,728)	1,891,591
Premiums earned during the year	(1,061,110)	140,313	(920,797)	(2,163,480)	235,806	(1,927,674)
At 30 June / 31 December	1,037,860	(96,709)	941,151	1,030,227	(122,965)	907,262



## 9. Changes in group composition

There were no changes in the composition of the Company during the financial period under review.

## 10. Capital commitments

	30.6.2019 RM'000	31.12.2018 RM'000
Property, plant and equipment Contracted but not provided for	877	2,696
Software development Contracted but not provided for	112	1,275

## 11. Related party transactions

Significant related party transactions are as follows:

	Transaction value Six months ended	
	30.6.2019 RM'000	30.6.2018 RM'000
<b>Related companies*</b>		
Reinsurance premium and commission	(74,993)	(70,465)

\*Related companies are companies within the Allianz SE Group.

## 12. Changes in contingent liabilities

On 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by the Company pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia's ("BNM") directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, the Company received MyCC's notice of proposed decision ("Proposed Decision") that the Company and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. The Company, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

## 12. Changes in contingent liabilities (continued)

On 5 April and 25 April 2017, the Company submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. The Company's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard the Company's Oral Representation, the Company's solicitors had requested MyCC to hold de novo (new) proceedings in relation to the Company's Oral Representation before the new Members of Commission. The Company's Oral Representation sessions which took place on 19 and 20 February 2019 have concluded. PIAM had commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel covering 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation of PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel were heard over 17 and 18 June 2019. No indication was given as to the timeline of the delivery of the decision.

The Proposed Decision is not final as at the date of this report, and the Company in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

## 13. Debt and equity securities

There were no issuances of shares, shares buy-backs and repayment of debt and equity securities by the Company during the half-year under review.

## 14. Regulatory capital requirements

	<b>30.6.2019</b>	<b>30.6.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,703,510	1,618,248
	<u>2,082,678</u>	<u>1,997,416</u>
Tier 2 Capital		
Reserves	76,810	15,373
	<u>76,810</u>	<u>15,373</u>
Amounts deducted from capital	(78,804)	(112,368)
<b>Total capital available</b>	<u><u>2,080,684</u></u>	<u><u>1,900,421</u></u>

## 15. Subsequent events

There were no material events subsequent to the end of the financial period under review that have not been reported in this report for the financial period under review.

## 16. Dividend paid

An interim dividend of 42.1 sen per ordinary share under single tier system amounting to RM159,629,809.25 for the financial year ended 31 December 2018 was paid to the entitled shareholder of the Company on 17 January 2019.

## 17. Changes in material litigation

Virginia Surety Company Labuan Branch (“VSC”) had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since wound up) (“CAB”) previously in respect of CAB’s Extended Warranty Program (“EWP”).

The Company took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. The Company’s legal position was that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This was disputed by VSC who claimed that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, the Company commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify the Company for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The hearing on liability concluded and the Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively. The Oral Submissions took place on 12 October 2017 and 13 October 2017, during which the Tribunal sought some clarification in response to which the Company’s solicitors prepared and filed the Company’s Further Written Submissions. VSC’s solicitors then responded with VSC’s Further Written Submissions. The Company’s solicitors then prepared and filed the Company’s Rebuttal Submissions to clarify VSC’s citation of certain cases.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC (the “Award”) whilst the Dissenting Arbitrator found in favour of the Company.

## 17. Changes in material litigation (continued)

The Award ordered the Company to pay the following:

- (a) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (b) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (c) RM668,160, 69 for costs and expenses incurred by VSC; and
- (d) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

The Company's solicitors were of the view that there were reasonable grounds to seek a review of the majority decision, including to set aside the Award.

On this basis, an Originating Summons was filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("the Act") and for a Reference of Questions of law under section 42 of the Act. The Court had fixed the Hearing Date on 18 February 2019 and directed parties to file and exchange their respective Written Submissions by 11 February 2019. At the Hearing on 18 February 2019, the Company's solicitors presented their Oral Submissions and the Hearing continued on 13 March 2019 for VSC's solicitors to present their oral arguments. The Company's solicitors prepared and filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC then filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. The Court then fixed 29 May 2019 to deliver its Decision but on 28 May 2019, the Court notified parties that it was not yet ready to deliver its Decision and rescheduled the delivery of its Decision to 28 June 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award. The Company's solicitors had on 15 July 2019 filed a Notice of Appeal to the Court of Appeal against the Decision. The first case management is fixed for 4 September 2019.