

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
Company No. 200601015674 (735426-V)

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2021

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2021-UNAUDITED**

	Note	30.6.2021 RM'000	31.12.2020 RM'000
Assets			
Property, plant and equipment		78,246	77,560
Right-of-use assets		29,069	35,603
Intangible assets		90,871	94,780
Deferred tax assets		5,406	-
Investments		5,270,557	5,200,487
Reinsurance assets	7	835,783	827,433
Insurance receivables		176,211	142,070
Loans and receivables		83,472	84,305
Deferred acquisition costs		119,606	116,171
Current tax assets		10,379	12,937
Cash and cash equivalents		162,935	325,251
Total assets		6,862,535	6,916,597
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,878,909	1,722,412
Other reserves		78,837	145,269
Total equity		2,336,914	2,246,849
Insurance contract liabilities	8	4,059,123	3,900,796
Insurance payables		228,977	236,595
Other payables and accruals		214,128	477,268
Lease liabilities		23,393	30,012
Deferred tax liabilities		-	25,077
Total liabilities		4,525,621	4,669,748
Total equity and liabilities		6,862,535	6,916,597

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 30 JUNE 2021-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2021 RM'000	Preceding year Corresponding Half-Yearly 30.6.2020 RM'000	Current Year To Date 30.6.2021 RM'000	Preceding year Corresponding Period 30.6.2020 RM'000
Operating revenue	1,296,125	1,200,403	1,296,125	1,200,403
Gross earned premiums	1,207,855	1,109,476	1,207,855	1,109,476
Premiums ceded to reinsurers	(123,097)	(116,691)	(123,097)	(116,691)
Net earned premiums	1,084,758	992,785	1,084,758	992,785
Investment income	88,270	90,927	88,270	90,927
Realised gains and losses	455	655	455	655
Fee and commission income	20,830	12,910	20,830	12,910
Other operating income	193	40	193	40
Other revenue	109,748	104,532	109,748	104,532
Gross claim paid	(470,108)	(425,513)	(470,108)	(425,513)
Claims ceded to reinsurers	28,759	29,673	28,759	29,673
Gross change to contract liabilities	(176,688)	(189,795)	(176,688)	(189,795)
Change in contract liabilities ceded to reinsurers	(20,935)	5,294	(20,935)	5,294
Net claims incurred	(638,972)	(580,341)	(638,972)	(580,341)
Fee and commission expense	(150,508)	(141,181)	(150,508)	(141,181)
Management expenses	(194,877)	(184,511)	(194,877)	(184,511)
Finance cost	(396)	(767)	(396)	(767)
Other operating expenditure	(1,336)	(570)	(1,336)	(570)
Other expenses	(347,117)	(327,029)	(347,117)	(327,029)
Profit before tax	208,417	189,947	208,417	189,947
Tax expense	(51,920)	(47,333)	(51,920)	(47,333)
Profit for the period	156,497	142,614	156,497	142,614
Profit attributable to:				
Owners of the Company	156,497	142,614	156,497	142,614

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2021-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2021 RM'000	Preceding year Corresponding Half-Yearly 30.6.2020 RM'000	Current Year To Date 30.6.2021 RM'000	Preceding year Corresponding Period 30.6.2020 RM'000
Profit for the period	156,497	142,614	156,497	142,614
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale ("AFS") financial assets				
- Net unrealised (losses)/ gain arising during the year	(86,955)	60,056	(86,955)	60,056
- Realised losses transferred to income statement	(455)	(656)	(455)	(656)
	(87,410)	59,400	(87,410)	59,400
Tax effects thereon	20,978	(14,256)	20,978	(14,256)
	(66,432)	45,144	(66,432)	45,144
Total other comprehensive (loss)/ income for the period, net of tax	(66,432)	45,144	(66,432)	45,144
Total comprehensive income for the period	90,065	187,758	90,065	187,758
Total comprehensive income attributable to: Owners of the Company	90,065	187,758	90,065	187,758

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2021 - UNAUDITED

	← Non distributable →				Distributable Retained earnings RM'000	Total equity RM'000
	Share Capital RM'000	Capital reserve RM'000	Fair value reserve RM'000	Asset revaluation reserve RM'000		
At 1 January 2020	379,168	4,523	71,411	15,542	1,645,705	2,116,349
Fair value of available-for-sale financial assets	-	-	45,144	-	-	45,144
Total other comprehensive income for the period	-	-	45,144	-	-	45,144
Profit for the period	-	-	-	-	142,614	142,614
Total comprehensive income for the period	-	-	45,144	-	142,614	187,758
At 30 June 2020	379,168	4,523	116,555	15,542	1,788,319	2,304,107
At 1 January 2021	379,168	4,523	128,943	11,803	1,722,412	2,246,849
Fair value of available-for-sale financial assets	-	-	(66,432)	-	-	(66,432)
Total other comprehensive income for the period	-	-	(66,432)	-	-	(66,432)
Profit for the period	-	-	-	-	156,497	156,497
Total comprehensive income for the period	-	-	(66,432)	-	156,497	90,065
At 30 June 2021	379,168	4,523	62,511	11,803	1,878,909	2,336,914

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2021-UNAUDITED**

	As at 30.6.2021	As at 30.6.2020
Operating activities		
Profit before tax	208,417	189,947
Investment income	(88,270)	(90,927)
Realised gain recorded in profit or loss	(455)	(656)
Realised loss on disposal of property, plant and equipment	-	1
Rental income of property, plant and equipment	(132)	-
Purchases of available-for-sale financial investments	(660,193)	(773,987)
Placement of fixed deposits	(124,075)	(127,959)
Maturity of fixed deposits	171,250	140,312
Proceeds from sale of available-for-sale financial investments	61,760	120,610
Maturity of available-for-sale financial investments	390,000	98,333
Non-cash items:		
Depreciation of property, plant and equipment	4,216	3,803
Depreciation of right-of-use assets	7,020	7,064
Amortisation of intangible assets	7,757	7,843
Allowance for impairment loss on receivables	6,012	425
Reversal of impairment loss on reinsurance assets	(3)	(3)
Bad debts recovered	(18)	(74)
Property, plant and equipment written off	-	26
Bad debts (recovered)/ written off on receivables	(1)	1,192
Interest expense	270	398
Interest on lease liabilities	396	767
Changes in working capital:		
Change in reinsurance assets	(8,347)	(10,406)
Change in insurance receivables	(40,133)	(90,719)
Change in loans and other receivables	2,477	13,807
Change in deferred acquisition costs	(3,435)	(1,874)
Change in insurance contract liabilities	158,327	216,023
Change in insurance payables	(7,619)	1,375
Change in other payables and accruals	(13,538)	10,067
	<u>71,683</u>	<u>(284,612)</u>
Dividend income from unquoted unit trust	13,892	13,986
Interest income received	76,950	76,804
Rental income received	132	135
Bad debts recovered	18	74
Interest on lease liabilities	(396)	(767)
Income tax paid	(58,867)	(50,852)
Net cash flows generated from/ (used in) operating activities	<u>103,412</u>	<u>(245,232)</u>

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**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2021-UNAUDITED**

	As at 30.6.2021	As at 30.6.2020
Investing activities		
Proceeds from disposal of property, plant and equipment	1,010	9
Purchase of property, plant and equipment	(5,912)	(2,230)
Purchase of intangibles assets	(3,849)	(2,917)
Net cash flows used in investing activities	<u>(8,751)</u>	<u>(5,138)</u>
Financing activities		
Dividends paid to owners of the Company	(249,872)	(199,822)
Repayment of lease liabilities	(7,105)	(6,777)
Net cash flows used in financing activities	<u>(256,977)</u>	<u>(206,599)</u>
Net decrease in cash and cash equivalents	(162,316)	(456,969)
Cash and cash equivalents at beginning of year	325,251	690,190
Cash and cash equivalents at end of period	<u>162,935</u>	<u>233,221</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	160,220	229,787
Cash and bank balances	2,715	3,434
	<u>162,935</u>	<u>233,221</u>

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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 2020.

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 2020, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*
Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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, effective for annual periods beginning on or after 1 January 2018. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Company has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. Hence, the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

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.

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.

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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 2023 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.

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 2023.

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 30.6.2021	Change in fair value	Cash flows characteristic
Financial assets	RM'000	RM'000	
Malaysian government securities	1,871,162	(32,006)	SPPI
Malaysian government guaranteed bonds	658,346	(16,365)	SPPI
Unquoted debt securities	1,340,836	(19,979)	SPPI
Unquoted unit trust in Malaysia	1,271,185	(19,061)	Non-SPPI
Fixed deposits with licensed banks	129,028	-	SPPI
Loans and other receivables	83,472	-	SPPI
Cash and cash equivalents	162,935	-	SPPI
	<u>5,516,964</u>	<u>(87,411)</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)**

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
<u>Investments</u>			
Malaysian government securities	(32,006)	-	(32,006)
Malaysian government guaranteed bonds	(16,365)	-	(16,365)
Unquoted debt securities	(19,979)	-	(19,979)
Unquoted unit trust in Malaysia	-	(19,061)	(19,061)
	<u>(68,350)</u>	<u>(19,061)</u>	<u>(87,411)</u>

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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	-	-	-	-	-	1,871,162	-	1,871,162
Malaysian government guaranteed bonds	-	-	-	-	-	658,346	-	658,346
Unquoted debt securities	662,603	674,483	-	11,097	-	-	-	1,348,183
Fixed deposits	21,728	107,300	-	-	-	-	-	129,028
Loans and other receivables	-	-	-	-	-	83,472	-	83,472
Cash and cash equivalents	141,076	21,238	539	-	-	82	-	162,935
	<u>825,407</u>	<u>803,021</u>	<u>539</u>	<u>11,097</u>	<u>-</u>	<u>2,613,062</u>	<u>-</u>	<u>4,253,126</u>

* All financial assets with SPPI cash flows of the Company as at 30 June 2021 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 2021 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

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 2020.

7. Reinsurance assets

	30.6.2021 RM'000	31.12.2020 RM'000
Non-current		
Reinsurance of insurance contracts		
Claims liabilities	-	257,251
Current		
Reinsurance of insurance contracts		
Claims liabilities	716,459	480,146
Allowance for impairment	(2,575)	(2,578)
	713,884	477,568
Premium liabilities	121,899	92,614
	835,783	570,182
	835,783	827,433

8. Insurance contract liabilities

General insurance contract liabilities consist of:

	30.6.2021			31.12.2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported	2,154,467	(489,016)	1,665,451	1,992,729	(526,197)	1,466,532
Provision for incurred but not reported claims	746,776	(227,443)	519,333	731,826	(211,200)	520,626
Provision for outstanding claims	2,901,243	(716,459)	2,184,784	2,724,555	(737,397)	1,987,158
Allowance for impairment	-	2,575	2,575	-	2,578	2,578
Provision for outstanding claims (i)	2,901,243	(713,884)	2,187,359	2,724,555	(734,819)	1,989,736
Provision for unearned premiums (ii)	1,157,880	(121,899)	1,035,981	1,176,241	(92,614)	1,083,627
	4,059,123	(835,783)	3,223,340	3,900,796	(827,433)	3,073,363

8. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2021			31.12.2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	2,724,555	(734,820)	1,989,735	2,554,244	(757,770)	1,796,474
Claims incurred in the current accident year	825,528	(77,259)	748,269	1,429,139	(153,761)	1,275,378
Adjustment to claims incurred in prior accident year	14,807	(5,953)	8,854	23	(1,568)	(1,545)
Other movements in claims incurred in prior accident year	(193,539)	75,389	(118,150)	(262,734)	113,459	(149,275)
Claims paid during the year	(470,108)	28,759	(441,349)	(996,117)	64,821	(931,296)
At 30 June / 31 December	2,901,243	(713,884)	2,187,359	2,724,555	(734,819)	1,989,736

(ii) Provision for unearned premium

	30.6.2021			31.12.2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,176,241	(92,614)	1,083,627	1,104,311	(99,703)	1,004,608
Premiums written in the year	1,189,494	(152,382)	1,037,112	2,356,052	(249,876)	2,106,176
Premiums earned during the year	(1,207,855)	123,097	(1,084,758)	(2,284,122)	256,965	(2,027,157)
At 30 June / 31 December	1,157,880	(121,899)	1,035,981	1,176,241	(92,614)	1,083,627

9. Changes in group composition

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

10. Capital commitments

	30.6.2021 RM'000	31.12.2020 RM'000
Property, plant and equipment Contracted but not provided for	1,942	685
Software development Contracted but not provided for	1,801	1,794

11. Related party transactions

Significant related party transactions are as follows:

	Transaction value Six months ended	
	30.6.2021 RM'000	30.6.2020 RM'000
Related companies*		
Reinsurance premium and commission	(79,370)	(75,067)

*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 ("BNM")'s 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

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 took place on 19 and 20 February 2019. 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.

On 25 September 2020, the Company's solicitors received the Decision that parties have infringed the prohibition under section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement.

In view of the impact of the Covid-19 pandemic, MyCC granted a reduction of 25% of the financial penalties imposed on the 22 general insurers and a moratorium period of up to 6 months for the payment of the financial penalties to be made by 6 equal monthly instalments. The financial penalty imposed on the Company, taking into account the 25% reduction amounts to RM18,549,595.97.

The Company had on 13 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") against the Decision, pursuant to Section 52 of the CA ("Appeal"). On 23 October 2020, the Company filed a Stay Application with the CAT pursuant to Section 53 of the CA for the grant of a stay of the Decision particularly in respect of the financial penalty imposed on the Company and at CAT's request, a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020.

In response to the Company's Notice of Appeal, MyCC had filed a Statement in Reply ("SIR") dated 20 November 2020 with the CAT. The Company then filed with the CAT on 11 December 2020 its Reply to the SIR to put on record that except for statements of fact, the Company denies the remaining contents of the SIR and also to reiterate that all issues raised by MyCC had already been addressed in the Company's Notice of Appeal.

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and Hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. The case management and Hearing date earlier fixed for 18 February 2021 before CAT was then rescheduled to 25 February 2021. Whilst the hearing of the stay applications of the rest of the insurers took place on 25 February 2021, the Company's oral submissions were heard in a confidential session on 26 February 2021. As MyCC's counsel requested for a new hearing date for MyCC's reply, CAT fixed 5 March 2021 on which date, MyCC's counsel submitted their reply and CAT also heard the Company's reply submission. On 12 March 2021, the reply submissions of the other insurers were concluded and CAT then set the afternoon of 23 March 2021 to deliver its decision on the Stay Application. On 23 March 2021, CAT allowed the Stay Application, pending the disposal of the Appeal.

12. Changes in contingent liabilities (continued)

Separately, on 26 April 2021 the High Court of Malaya granted the Company leave to apply for Judicial Review of MyCC's Decision and an interim stay of the Decision until the hearing of any objection or application by MyCC to set it aside. (This was in relation to the Company's ex-parte application for leave for Judicial Review ("Judicial Review Application") and application for a stay filed at the High Court on 24 December 2020 but given the discreet nature of the ex-parte application, it was not disclosed earlier.) The Company filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 and MyCC then filed an affidavit in support of its striking out application against the orders granting the Company leave to apply for judicial review and interim stay ("Setting Aside Application"). The Company had filed a reply affidavit on 27 May 2021 opposing the same and the Setting Aside Application was fixed for hearing on 21 July 2021.

At the case management before CAT on 30 April 2021, the Company's solicitors raised certain preliminary issues that would need to be addressed prior to the hearing of the Appeal and CAT then fixed the following dates to hear the same:-

- a. 27 May 2021 as the next case management to hear parties in relation to the said preliminary issues;
- b. 4 June 2021 for the Company to update CAT on the Judicial Review proceedings as well as the interim stay granted by the High Court; and
- c. 2 July 2021 for the hearing of BNM's appeal.

The case management before CAT on 27 May 2021 was held in a confidential session with BNM and MyCC in attendance whilst the case management fixed for 4 June 2021 for the Company to update CAT on the Judicial Review proceedings was postponed to 29 July 2021 and the hearing of BNM's appeal on 2 July 2021 was adjourned due to the Full Movement Control Order.

The hearing of the Setting Aside Application on 21 July 2021 commenced with parties' oral submissions and the continued hearing was fixed for 4 August 2021. As MyCC filed an affidavit on the evening of 3 August 2021, at the continued hearing on 4 August 2021, the Company's solicitors made an oral application to expunge the affidavit as it had been filed after the commencement of submissions. The judge then fixed 26 August 2021 for his decision on the Company's application to expunge the affidavit.

As for the hearing on the merits of the Judicial Review Application, no hearing dates have been fixed, but the High Court had fixed a case management on 22 July 2021 for parties to update on the status of the Setting Aside Application but was later rescheduled to 12 August 2021. On 12 August 2021, the High Court informed parties that the next case management on 26 August 2021 will be held before the Judge for his directions in relation to the hearing on the merits of the Judicial Review Application.

On 29 July 2021, the Company's solicitors attended the case management before CAT which directed as follows:

- a. the appellants and MyCC are to collectively file a common list of issues to be tried;
- b. each appellant may elect to file a further separate list of issues that are specific to the facts of their appeal; and
- c. appellants intending to call witnesses are to provide CAT with the list of witnesses they intend to call and the reason/relevance for calling such witnesses.

Although common dates in November 2021 have been fixed for the hearing of the insurers' appeals before the CAT, the hearing of the Company's appeal would depend on the status of the Company's Judicial Review Application before the High Court.

12. Changes in contingent liabilities (continued)

The management of the Company believes that the criteria to disclose the above as a contingent liability are met. 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

	30.6.2021	30.6.2020
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,878,909	1,788,319
	<u>2,258,077</u>	<u>2,167,487</u>
 Tier 2 Capital		
Reserves	78,837	136,620
	<u>78,837</u>	<u>136,620</u>
 Amounts deducted from capital	(96,277)	(97,002)
Total capital available	<u><u>2,240,637</u></u>	<u><u>2,207,105</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 65.9 sen per ordinary share under single tier system amounting to RM249,871,839.19 for the financial year ended 31 December 2020 was paid to the entitled shareholder of the Company on 19 January 2021.

17. Changes in material litigation

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Bright Mission Berhad (when it was known as Commerce Assurance Berhad ("CAB")) previously in respect of CAB's Extended Warranty Programme ("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.

17. Changes in material litigation (continued)

The reinsurance transactions were initially on a facultative basis. However, as the business volume increased, the facultative arrangements became too expensive to administer. The Company and VSC (collectively the "Parties") therefore negotiated and entered into a treaty reinsurance agreement upon terms, inter alia, that the reinsurance coverage was to be continuous subject to termination as provided for in the reinsurance agreement.

A dispute arose between the Parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. The Company's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim 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 Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both Parties then filed further written submissions bringing the arbitration proceedings to an end.

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 ("Award") whilst the Dissenting Arbitrator found in favour of the Company.

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.

As the Company's solicitors were of the view that there were reasonable grounds to seek a review of the majority decision, 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 ("Arbitration Act") and for a Reference of Questions of law under section 42 of the Arbitration Act. The matter was first heard on 18 February 2019 and hearing continued on 13 March 2019 and concluded on 18 April 2019. On 28 June 2019, the Court declined the Company's application to set aside the Award ("Decision"). Based on the Company solicitors' advice, a Notice of Appeal against the Decision was filed on 15 July 2019 at the Court of Appeal ("AGIC's Appeal"). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019.

17. Changes in material litigation (continued)

In a separate action, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against the Company requiring the Company to pay VSC all the costs ordered by the Award. The Company's solicitors then filed a stay application on VSC's OS. On 25 October 2019, as VSC's solicitors had no objections to the Company's stay application, a further case management date was fixed for 7 November 2019 for the stay order to be formally recorded before a Judge. On 7 November 2019, the Judge allowed the Company's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC's OS should be withdrawn and filed afresh (should VSC succeed in dismissing AGIC's Appeal), a further case management was fixed for 9 December 2019 in order for VSC's solicitors to obtain VSC's instructions.

Meanwhile, the Company's Appeal came up for case management on 20 November 2019 when a new case management date was set for 13 January 2020.

On VSC's OS, at the final case management on 9 December 2019, as VSC's solicitors confirmed that they had instructions to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

At the case management for the AGIC's Appeal on 13 January 2020, the Court of Appeal fixed a further case management for 19 February 2020 as the Company's solicitors had yet to receive the High Court's substantive Grounds of Decision ("Grounds"). On 17 February 2020, the Court of Appeal wrote to the Parties' solicitors to reschedule the earlier fixed case management date to 26 February 2020. On this date, the Court of Appeal was informed that the Company's solicitors had still not received the Grounds so another case management was fixed for 8 April 2020. Just before the effective date of the Movement Control Order, the High Court notified that the Grounds were ready for collection but since the Company's solicitors were unable to collect the Grounds, at the e-review of the matter on 8 April 2020, a new date for case management was fixed for 15 May 2020.

On 15 May 2020, the Company's solicitors informed the Court of Appeal that the Grounds had been collected and the Court directed for the Memorandum of Appeal and Supplementary Record of Appeal to be filed before the next case management fixed for 9 July 2020. On 9 July 2020, the Court of Appeal fixed a further case management date on 19 August 2020 as the Notes of Proceedings were still pending. At the case management on 19 August 2020, the Court of Appeal fixed AGIC's Appeal for Hearing on 2 February 2021 and a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions. On 26 January 2021, the Court of Appeal was updated that all appeal directions had been complied with and the Court then directed that the Hearing on 2 February 2021 be conducted virtually via Zoom. However, on 2 February 2021, the Hearing was adjourned to a date to be fixed later as several other cases were also fixed for hearing that day. The next case management was then fixed for 19 August 2021 whilst the Hearing was fixed for 3 September 2021. On 19 August 2021, the Court of Appeal confirmed that the Hearing fixed for 3 September 2021 will proceed virtually via Zoom.