Company No.

924363	W

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

Company No.

924363	W

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

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Company No.	
924363	W

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30.06.2019 RM'000	31.12.2018 RM'000
Assets			
Property and equipment		326	323
Intangible assets		2,791	3,636
Investment in associate		75,000	75,000
Available-for-sale financial assets	11	398,018	349,713
Fair value through profit or loss financial assets	12	10,365	5,241
Loans and receivables		58,920	59,393
Reinsurance assets	13	16,312	14,995
Insurance receivables	14	44,293	41,409
Deferred tax assets		-	7,078
Current tax assets		3,445	2,060
Cash and cash equivalents		29,173	22,114
Total assets		638,643	580,962
Equity and liabilities			
Share capital		190,000	190,000
Retained earnings		77,383	48,116
Available-for-sale fair value reserve		6,763	1,117
Total equity		274,146	239,233
Insurance contract liabilities	16	316,182	305,377
Insurance payables	17	10,992	10,061
Other payables		35,455	26,291
Deferred tax liabilities		1,868	-
Total liabilities		364,497	341,729
Total equity and liabilities		638,643	580,962

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

Company No.

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AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

	Note	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Gross earned premiums		154,345	-
Premiums ceded to reinsurers		(9,689)	-
Net earned premiums	18	144,656	-
Investment income		9,547	973
Net realised gains		92	1,188
Fair value gains		124	-
Total net revenue		154,419	2,161
Gross benefits and claims paid		(43,377)	-
Claims ceded to reinsurers		4,529	-
Gross change to insurance contract liabilities		(10,747)	-
Change in insurance contract liabilities ceded to reinsurers		1,379	-
Net insurance benefits and claims		(48,216)	-
Fee and commission expenses		(36,964)	-
Management expenses		(32,734)	(136)
Other operating expenses		(75)	(19)
Other expenses		(69,773)	(155)
Profit before tax		36,430	2,006
Tax expense		(7,163)	(28)
Profit after tax for the period		29,267	1,978
Basic earnings per share (sen)		15.40	1.96

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

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AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
Profit after tax for the period	29,267	1,978
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Fair value gains/(losses) arising during the period	7,521	(78)
Fair value gains transferred to income statement	(92)	(1,188)
Deferred taxation	(1,783)	-
Total other comprehensive income/(loss) - net of tax, for the period	5,646	(1,266)
Total comprehensive income for the period	34,913	712

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

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AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

		Non-distributable	Distributable	
	Share capital	Available-for-sale fair value reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	190,000	1,117	48,116	239,233
Total comprehensive income for the period	-	5,646	29,267	34,913
At 30 June 2019	190,000	6,763	77,383	274,146
At 1 January 2018	100,000	855	2,392	103,247
Issuance of shares during the period	90,000	-	-	90,000
Total comprehensive income for the period	-	(1,266)	1,978	712
At 30 June 2018	190,000	(411)	4,370	193,959

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

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AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	36,430	2,006
Interest and dividend income	(9,239)	(973)
Realised gains	(92)	(1,188)
Fair value gains	(124)	-
Writeback of allowance for impairment losses	(1,742)	-
Write off of allowance for bad debts	1,507	-
Depreciation		
- property and equipment	43	-
Amortisation		
- intangible assets	845	-
Operating profit/(loss) before working capital changes	27,628	(155)
Changes in working capital:		
(Increase)/decrease in AFS and FVTPL financial assets	(45,480)	4,498
Increase in reinsurance assets	(1,317)	-
Increase in insurance receivables	(2,649)	-
Decrease/(increase) in loans and receivables	1,919	(3,015)
Increase in insurance payables	931	-
Incease in insurance contract liabilities	10,805	-
Increase/(decrease) in other payables	9,164	(67)
Cash generated from operating activities	1,001	1,261
Income taxes paid	(1,385)	(28)
Interest income received	7,346	925
Dividend income received	143	-
Net cash inflow from operating activities	7,105	2,158

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AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(46)	-
Net cash outflow from investing activities	(46)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in share capital	-	90,000
Net cash inflow from financing activities	-	90,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,059	92,158
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22,114	6,180
CASH AND CASH EQUIVALENTS AT 30 JUNE	29,173	98,338

Cash and cash equivalents comprised:

Cash and bank balances	19,203	368
Fixed and call deposits with licensed financial institutions	9,970	97,970
	29,173	98,338

The Company classifies cash flows from the acquisition and disposal of financial assets as operating cash flows as the purchases are funded from cash flows predominantly associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under the operating activities.

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

AIA GENERAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of all classes of general insurance business. The Company commenced its principal activity of underwriting of general insurance business on 1 July 2018 following the transfer of the general insurance business from AIA Bhd., its immediate holding company, pursuant to a Business Transfer Scheme approved and confirmed by the High Court of Malaya in accordance with the Financial Services Act 2013 ("FSA") on 5 June 2018.

There has been no change in the principal activity of the Company during the financial period.

The Company is a public limited liability company, incorporated under the Companies Act 2016 and FSA and domiciled in Malaysia. The registered office and principal place of business of the Company are located at Level 29, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur and Level 13, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur respectively.

The immediate holding company of the Company is AIA Bhd., a company incorporated in Malaysia. The Directors regard AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited, as the ultimate holding company.

The interim financial statements are authorised for issue by the Board on 14 August 2019.

2 Basis of preparation

The condensed interim financial statements of the Company are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting.

The Company have adopted the MFRS framework issued by the Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the 13 months period ended 31 December 2018.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted by the Company's audited financial statements for the 13 months period ended 31 December 2018, except for the adoption of the following:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies and effects arising from adoption of revised MFRS

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2019.

- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement"
- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 ("Insurance Contracts")
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- MFRS 15 "Revenue from contracts with customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations
- MFRS 16 "Leases" supercedes MFRS 117 "Leases" and the related interpretations
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Annual Improvements to MFRSs 2015 – 2017 Cycle: Amendments to MFRS 112 "Income Taxes"

The adoption of the above accounting standards, amendments and interpretations does not have any significant financial impact to the financial statements, except for disclosed below:

- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement"

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:
  - For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to income statement.
  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019 (continued)

- MFRS 9 "Financial Instruments" replaces MFRS 139 "Financial Instruments: Recognition and Measurement" (continued)

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  The Company has yet to fully assess the impact of MFRS 9 on its financial position and results.

- 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 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

  The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

  The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for 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. An entity 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 business is 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 intends to defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2021.

  The Company has yet to fully assess the impact of the Amendments to MFRS 4 on its financial position and results.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2019 (continued)

- MFRS 16 “Leases” supercedes MFRS 117 “Leases” and the related interpretations.

  The Company has adopted MFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

  The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

  The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	RM'000	RM'000
Properties	1,137	1,328

  The change in accounting policy affected the following items in the balance sheet on 1 January 2019:
  - right-of-use assets – increase by RM1,328,000
  - lease liabilities – increase by RM1,328,000.

  In applying MFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:
  - the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - reliance on previous assessments on whether leases are onerous;
  - 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 exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
  - the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but are not yet effective and have not been early adopted

The Company will apply the new standards, amendments to standards and interpretations in the following period:

<u>Financial year beginning on/after 1 January 2021</u>

- MFRS 17 "Insurance Contracts" replaces MFRS 4 "Insurance Contracts" applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue". An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

  MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that are related to financial risks either in profit or loss or in other comprehensive income.

  Alternative measurement models are provided for the different insurance coverages:
  a) Simplified premium allocation approach if the insurance coverage period is a year or less; and
  b) Variable fee approach should be applied for insurance contracts that specify a link between payments to the policyholders and the returns on the underlying items.

  The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

  Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts when incurred. Investment components are excluded from revenue and claims.

  Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies and effects arising from adoption of revised MFRS (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are not relevant to the Company but are not yet effective and have not been early adopted (continued)

The Company will apply the new standards, amendments to standards and interpretations in the following period: (continued)

Financial year beginning on/after 1 January 2021 (continued)

The Company is in the midst of conducting a detailed assessment of the new standard. The standard is currently mandatorily effective for financial period beginning on or after 1 January 2021. In November 2018, International Accounting Standards Board ("IASB") has proposed to defer the adoption of IFRS 17 and a temporary exemption of the adoption of IFRS 9 for insurers until the financial period beginning on or after 1 January 2022.

4 SEASONALITY OR CYCLICALITY

The business operations of the Company were not significantly affected by seasonality or cyclical factors during the interim financial period.

5 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2019.

6 CHANGES IN ESTIMATES

There were no material changes in the basis used for the accounting estimates for the current financial period ended 30 June 2019.

7 ISSUES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase and repayment of debt and equity securities during the current financial period ended 30 June 2019.

8 DIVIDEND PAID

No dividend has been paid or declared by the Company since the end of the previous financial year.

9 CHANGES IN THE COMPOSITION OF THE COMPANY

There was no change in the composition of the Company during the period under review.

10 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date, except for the Board has principally approved the disposal of the Company's investment in an associate, AIA PUBLIC Takaful Bhd.'s ("APTB") to its immediate holding company, AIA Bhd. following the corporate exercise at its immediate holding company in an effort to simplify its existing group structure.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2019 RM'000	31.12.2018 RM'000
At fair value		
Malaysian government securities	192,486	183,840
Cagamas papers	27,588	27,634
Unquoted corporate debt securities	174,403	135,351
Accrued interest	3,541	2,888
	398,018	349,713
Carrying values of financial instruments		
At 1 January/1 December	349,713	45,515
Business transfer from AIA Bhd.	-	184,012
Purchases	70,556	174,512
Maturities	-	(2,700)
Disposals at amortised cost	(29,984)	(51,983)
Fair value gains recorded in other comprehensive income	7,521	1,571
Fair value gains transferred to income statement	(92)	(1,399)
Movement in accrued interest	653	560
Net amortisation of premiums	(349)	(375)
At 30 June/31 December	398,018	349,713
Current	32,734	28,153
Non current	365,284	321,560
	398,018	349,713

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments

The following tables show the financial instruments recorded at fair value analysed by the different level of fair values as follows:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 June 2019				
Malaysian government securities	192,486	-	192,486	-
Cagamas papers	27,588	-	27,588	-
Unquoted corporate debt securities	174,403	-	174,403	-
Accrued interest	3,541	-	3,541	-
Total assets on a recurring fair value measurement basis	398,018	-	398,018	-

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2018				
Malaysian government securities	183,840	-	183,840	-
Cagamas papers	27,634	-	27,634	-
Unquoted corporate debt securities	135,351	-	135,351	-
Accrued interest	2,888	-	2,888	-
Total assets on a recurring fair value measurement basis	349,713	-	349,713	-

Fair value hierarchy for financial and non-financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined as per Note 15 to the financial statements.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

12 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	30.06.2019 RM'000	31.12.2018 RM'000
At fair value		
Equity securities of corporations		
- Unquoted	10,365	5,241
Carrying values of financial instruments		
At 1 January/1 December	5,241	-
Business transfer from AIA Bhd.	-	5,190
Purchases	5,000	-
Fair value gains recorded in income statement	124	51
At 30 June/31 December	10,365	5,241
Current	-	-
Non current	10,365	5,241
	10,365	5,241

Fair value of financial instruments

The following tables show the financial instruments recorded at fair value analysed by the different basis of fair values as follows:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 30 June 2019				
Equity securities of corporations - Unquoted	10,365	-	10,365	-
Total assets on a recurring fair value measurement basis	10,365	-	10,365	-
At 31 December 2018				
Equity securities of corporations - Unquoted	5,241	-	5,241	-
Total assets on a recurring fair value measurement basis	5,241	-	5,241	-

Fair value hierarchy for financial and non-financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined as per Note 15 to the financial statements.

13 REINSURANCE ASSETS

	30.06.2019 RM'000	31.12.2018 RM'000
Reinsurance of insurance contracts	16,312	14,995
Current	6,333	5,648
Non current	9,979	9,347
	16,312	14,995

14 INSURANCE RECEIVABLES

	30.06.2019 RM'000	31.12.2018 RM'000
Outstanding premiums including agents' balances	43,555	42,128
Amount due from reinsurers	2,664	2,949
	46,219	45,077
Allowance for impairment losses	(1,926)	(3,668)
	44,293	41,409
Receivable within 12 months	44,293	41,409

14 INSURANCE RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities

The following table shows the financial assets and financial liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each financial period end:

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statement of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statement of financial position RM'000
At 30 June 2019			
Insurance receivables	46,460	(241)	46,219
Insurance payables	(11,233)	241	(10,992)
	35,227	-	35,227
At 31 December 2018			
Insurance receivables	46,120	(1,043)	45,077
Insurance payables	(11,104)	1,043	(10,061)
	35,016	-	35,016

Certain amount due from reinsurers and amount due to reinsurers were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

15 FAIR VALUE MEASUREMENTS

Fair value measurements on a recurring basis

The Company measures at fair value for financial instruments classified at fair value through profit or loss, available for sale and investments in non-consolidated investment funds on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The Company does not have assets or liabilities measured at fair value on a non-recurring basis during the period ended 30 June 2019.

The following methods and assumptions were used by the Company to estimate the fair value of financial instruments:

Level 1 - Financial instruments 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 2 - Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company’s own models whereby the majority of assumptions are market observable.

15 FAIR VALUE MEASUREMENTS (CONTINUED)

<u>Fair value measurements on a recurring basis</u> (continued)

Level 3 - Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

The Company's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the period ended 30 June 2019, there is no transfer of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There is no transfer of assets from Level 2 to Level 1 during the period ended 30 June 2019.

The Company's Level 2 financial instruments include equity securities. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and observable inputs will be used to derive the fair value for the financial instruments.

The Company has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Company in general uses third-party pricing providers and, only in rare cases when no third-party prices exist, will use prices derived from internal models. The Company is required to review the reasonableness of the prices used and report price exceptions, if any. The Company's investment team analyses reported price exceptions and reviews price challenge responses from third party pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Company Pricing Committee which is part of the Company's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Company has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Company uses the proxy pricing method based on internally-developed valuation inputs.

15 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

Fair value for assets and liabilities for which fair value is disclosed at reporting date

A summary of the fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 30 June 2019 is set out below.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2019				
Financial assets				
Loans and receivables	-	-	57,230	57,230
Insurance receivables	-	-	44,293	44,293
	-	-	101,523	101,523
Financial liabilities				
Insurance payables	-	-	10,992	10,992
Other payables	-	-	35,455	35,455
	-	-	46,447	46,447
At 31 December 2018				
Financial assets				
Loans and receivables	-	-	52,627	52,627
Insurance receivables	-	-	41,409	41,409
	-	-	94,036	94,036
Financial liabilities				
Insurance payables	-	-	10,061	10,061
Other payables	-	-	26,291	26,291
	-	-	36,352	36,352

16 INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2019			
Claims reported by policyholders	111,505	(10,777)	100,728
Incurred but not reported ("IBNR") claims	87,565	(2,433)	85,132
Claims liabilities (i)	199,070	(13,210)	185,860
Premium liabilities (ii)	117,112	(3,102)	114,010
	316,182	(16,312)	299,870
At 31 December 2018			
Claims reported by policyholders	99,479	(9,381)	90,098
IBNR claims	88,844	(2,450)	86,394
Claims liabilities (i)	188,323	(11,831)	176,492
Premium liabilities (ii)	117,054	(3,164)	113,890
	305,377	(14,995)	290,382

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2019			
At 1 January 2019	188,323	(11,831)	176,492
Claims incurred in the current accident year	50,425	(2,761)	47,664
Movement in claims incurred in prior accident years	5,720	(3,097)	2,623
Claims paid during the period	(43,377)	4,529	(38,848)
Others	(3,207)	-	(3,207)
Change in expense liabilities and risk margin	1,186	(50)	1,136
At 30 June 2019	199,070	(13,210)	185,860
At 31 December 2018			
At 1 December 2017	-	-	-
Business transfer from AIA Bhd.	192,612	(11,909)	180,703
Claims incurred in the current accident year	51,429	(3,278)	48,151
Movement in claims incurred in prior accident years	(7,111)	(596)	(7,707)
Claims paid during the year	(44,911)	4,044	(40,867)
Others	(3,381)	-	(3,381)
Change in expense liabilities and risk margin	(315)	(92)	(407)
At 31 December 2018	188,323	(11,831)	176,492

16 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premium liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2019			
At 1 January 2019	117,054	(3,164)	113,890
Premium written during the period (Note 18)	154,403	(9,627)	144,776
Premium earned during the period	(154,345)	9,689	(144,656)
At 30 June 2019	117,112	(3,102)	(114,010)
At 31 December 2018			
At 1 December 2017	-	-	-
Business transfer from AIA Bhd.	115,619	(4,905)	110,714
Premium written during the year	147,220	(10,977)	136,243
Premium earned during the year	(145,785)	12,718	(133,067)
At 31 December 2018	117,054	(3,164)	113,890

17 INSURANCE PAYABLES

	30.06.2019 RM'000	31.12.2018 RM'000
Due to reinsurers	2,396	2,971
Due to agents and insureds	8,596	7,090
	10,992	10,061

The carrying amounts disclosed above approximate their fair values as at the date of the statement of financial position. All amounts are payable within one year.

Offsetting of financial assets and financial liabilities

Certain amounts due from reinsurers and amounts due to reinsurers were set off for presentation purpose because they have the enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously as disclosed in Note 14 to the financial statements.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019 (CONTINUED)

18 NET EARNED PREMIUMS

	6 months period ended 30.06.2019 RM'000	6 months period ended 30.06.2018 RM'000
(a) Gross earned premiums		
Gross premiums	154,403	-
Change in premium liabilities	(58)	-
	154,345	-
(b) Premiums ceded to reinsurers		
Gross premiums ceded	(9,627)	-
Change in premium liabilities	(62)	-
	(9,689)	-
Net earned premiums	144,656	-

19 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2019, as prescribed under the RBC Framework is provided below:

	30.06.2019 RM'000	31.12.2018 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	190,000	190,000
Reserves, including retained earnings	77,383	48,116
	267,383	238,116
Tier 2 Capital		
Available-for-sale fair value reserves	6,763	1,117
	6,763	1,117
Amount deducted from capital	(79,760)	(85,714)
Total capital available	194,386	153,519

20 CONTINGENCIES

In August 2016, Malaysia Competition Commission ("MyCC") had commenced investigation under Section 15(1) of the Competition Act 2010 ("the Act") against the General Insurance Association of Malaysia ("PIAM") and its 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, the Company received a Notice of Proposed Decision ("Proposed Decision") by the MyCC under Section 36 of the Competition Act 2010 ("the Act").

MyCC informed that pursuant to its investigation, the commission on the preliminary basis finds that the Company together with the other 21 members of PIAM have infringed the prohibition under Section 4(2)(a) of the Act for fixing parts trade discounts and labour rates for repair workshops and are therefore liable for an infringement under Section 4(3) of the Act.

MyCC has also proposed to impose a financial penalty of RM2,415,000 on the Company for the alleged infringement. 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 Act.

Subsequent to the proposed penalty by MyCC, Oral Representation to MyCC was held in October 2017 which continue until February 2018. Due to some changes in terms of members of the Commission in MyCC in November 2018, PIAM's counsel and insurers proposed to MyCC to proceed with the request for an opportunity to make oral representations to the new Chairman and members of the Commission, where MyCC agreed with the proposal. The new Oral Representation commenced in February 2019 and completed in June 2019. MyCC has not indicated the date to deliver their decision.

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