Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

CONTENTS

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30.06.2021 RM'000	31.12.2020 RM'000
Assets			
Property and equipment		291	340
Right-of-use assets		1,383	1,522
Intangible assets		2,553	2,724
Available-for-sale financial assets	11	488,797	540,977
Fair value through profit or loss financial assets	12	5,270	5,395
Loans and receivables		49,866	49,402
Reinsurance assets	13	19,809	18,674
Insurance receivables	14	35,797	36,189
Current tax assets		1,155	-
Cash and cash equivalents		18,162	26,431
Total assets		623,083	681,654
Equity and liabilities			
Share capital		190,000	190,000
Retained earnings		62,753	115,101
Available-for-sale fair value reserve		5,370	18,566
Total equity		258,123	323,667
Insurance contract liabilities	16	316,865	305,337
Insurance payables	17	8,203	6,392
Other payables		34,309	36,071
Lease liabilities		1,451	1,582
Deferred tax liabilities		2,330	4,040
Current tax liabilities		1,802	4,565
Total liabilities		364,960	357,987
Total equity and liabilities		623,083	681,654

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

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

	Note	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Gross earned premiums		146,515	145,535
Premiums ceded to reinsurers		(8,992)	(8,738)
Net earned premiums	18	137,523	136,797
Investment income		6,833	7,922
Net realised gains		346	2,574
Fair value (loss)/gains		(122)	40
Total net revenue		144,580	147,333
Gross benefits and claims paid		(35,145)	(24,836)
Claims ceded to reinsurers		3,606	694
Gross change to insurance contract liabilities		(9,312)	(16,188)
Change in insurance contract liabilities ceded to reinsurers		711	2,496
Net insurance benefits and claims		(40,140)	(37,834)
Fee and commission expenses		(33,007)	(32,835)
Management expenses		(35,497)	(27,928)
Other operating income/(expenses)		68	(656)
Other expenses		(68,436)	(61,419)
Profit before tax		36,004	48,080
Tax expense		(8,352)	(13,145)
Profit after tax for the period		27,652	34,935
Basic earnings per share (sen)		14.55	18.39

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

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
Profit after tax for the period	27,652	34,935
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value (loss)/gains arising during the period	(15,061)	12,067
Fair value gains transferred to income statement	(346)	(2,574)
Deferred taxation	2,211	(1,065)
Total other comprehensive (loss)/income - net of tax, for the period	(13,196)	8,428
Total comprehensive income for the period	14,456	43,363

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

Company No.
201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

		Non-distributable		Distributable	
	Share capital	Available-for-sale fair value reserve	Share-based reserves	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	190,000	18,566	-	115,101	323,667
Total comprehensive income for the period	-	(13,196)	-	27,652	14,456
Share-based compensation:					
- value of employee services	-	-	39	-	39
- repayment to ultimate holding company	-	-	(39)	-	(39)
Dividend paid during the financial year				(80,000)	(80,000)
At 30 June 2021	190,000	5,370	-	62,753	258,123
At 1 January 2020	190,000	9,450	-	114,548	313,998
Total comprehensive income for the period	-	8,428	-	34,935	43,363
Share-based compensation:					
- value of employee services	-	-	27	-	27
- repayment to ultimate holding company	-	-	(27)	-	(27)
At 30 June 2020	190,000	17,878	-	149,483	357,361

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

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	36,004	48,080
Interest and dividend income	(7,261)	(8,334)
Net amortisation of premium on investments	243	402
Realised gains	(1,151)	(2,574)
Fair value loss/(gains)	121	(40)
Allowance for impairment losses	31	31
Write off of allowances for bad debts	25	25
Depreciation		
- property and equipment	54	33
- right-of-use assets	139	190
Amortisation		
- intangible assets	213	765
Interest expenses	27	17
Operating profit before working capital changes	28,445	38,595
Changes in working capital:		
Decrease/(increase) in AFS and FVTPL financial assets	37,672	(107,134)
Increase in reinsurance assets	(1,135)	(2,563)
Decrease in insurance receivables	336	3,227
(Increase)/decrease in loans and receivables	(1,064)	1,294
Increase/(decrease) in insurance payables	1,811	(1,185)
Increase in insurance contract liabilities	11,528	19,079
(Decrease)/increase in other payables	(1,762)	15,455
Cash generated/(used) from operating activities	75,831	(33,232)
Income taxes paid	(11,769)	(2,337)
Interest income received	6,861	7,909
Interest paid	(27)	(17)
Dividend income received	1,013	389
Net cash inflow/(outflow) from operating activities	71,909	(27,288)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021 (CONTINUED)

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5)	-
Purchase of intangible asset	(42)	(43)
Net cash outflow from investing activities	(47)	(43)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(131)	(186)
Dividend paid	(80,000)	-
Net cash outflow from financing activities	(80,131)	(186)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,269)	(27,517)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	26,431	94,021
CASH AND CASH EQUIVALENTS AT 30 JUNE	18,162	66,504
Cash and cash equivalents comprised:		
Cash and bank balances	11,672	62,494
Fixed and call deposits with licensed financial instituitions with maturity of equal and less than 3 months	6,490	4,010
	18,162	66,504

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.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2021

1 CORPORATE INFORMATION

The Company is engaged principally in the underwriting of all classes of general insurance business.

There has been no significant change in the principal activity 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 20 August 2021.

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 financial year ended 31 December 2020.

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 financial year ended 31 December 2020, except for the adoption of the following:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.1 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 2021

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2021.

- Amendments to MFRS 9,139,7,4 & 16 "Interest Rate Benchmark Reform – Phase 2"

The adoption of the above accounting standards, amendments and interpretations does not have any significant financial impact on the financial statements.

3.2 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 2022</u>

- Annual Improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"

  Annual Improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities" clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 "Reference to Conceptual Framework"

  Amendments to MFRS 3 "Reference to Conceptual Framework" replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 "Provisions, contingent liabilities and contingent assets" and IC Interpretation 21 "Levies" when falls within their scope. It also clarifies that contingent assets should not be recognized at the acquisition date.

  The amendments shall be applied prospectively.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.2 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 (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 2022 (continued)

- Amendments to MFRS 116 “Proceeds before intended use”

  Amendments to MFRS 116 “Proceeds before intended use” prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognized in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 “Onerous contracts – cost of fulfilling a contract”

  Amendments to MFRS 137 “Onerous contracts – cost of fulfilling a contract” clarify that director costs of fulfilling a contract include both the incremental cost of fulfilling the contracts as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognizing a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognized.

  The amendments shall be applied retrospectively.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.2 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 (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 2023 (continued)

- MFRS 17 “Insurance Contracts” replaces MFRS 4 “Insurance Contracts”

  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.

  The Company is in the midst of conducting a detailed assessment of the new standard.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.2 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)

<u>Financial year beginning on/after 1 January 2023</u> (continued)

- Amendments to MFRS 17 'Insurance Contracts'

  Amendments to MFRS 17 Insurance Contracts defers the effective date of MFRS 17 Insurance Contracts. An entity shall apply MFRS 17 and Amendments to MFRS 17 for annual reporting periods beginning on or after 1 January 2023. If an entity applies MFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply MFRS 9 Financial Instruments on or before the date of initial application of MFRS 17.

  The Company is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 101 'Classification of liabilities as current or non-current'

  Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  The amendments shall be applied retrospectively.

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 2021.

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 2021.

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 2021.

8 DIVIDEND PAID

During the period ended 30 June 2021, a final single tier dividend of RM0.4211 per ordinary share on 190,000,000 ordinary shares in respect of the financial year ended 31 December 2020 amounting to RM80,000,000 was paid on 29 June 2021.

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 EVENT SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the financial period ended 30 June 2021 that has not been reflected in the condensed interim financial statements.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30.06.2021 RM'000	31.12.2020 RM'000
At fair value		
Malaysian government securities	26,712	29,393
Cagamas papers	-	10,082
Unquoted corporate debt securities	283,365	278,521
Mutual funds	175,481	219,729
Accrued interest	3,239	3,252
	488,797	540,977
Carrying values of financial instruments		
At 1 January	540,977	453,601
Purchases	76,157	354,915
Maturities	(12,000)	(20,400)
Disposals at amortised cost	(100,674)	(256,603)
Fair value (losses).gains recorded in other comprehensive income	(15,061)	15,670
Fair value gains transferred to income statement	(347)	(4,880)
Movement in accrued interest	(13)	(567)
Net amortisation of premiums	(243)	(759)
At 30 June/31 December	488,797	540,977
Current	8,263	21,419
Non current	480,534	519,558
	488,797	540,977

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 2021				
Malaysian government securities	26,712	-	26,712	-
Cagamas papers	-	-	-	-
Unquoted corporate debt securities	283,365	-	283,365	-
Mutual funds	175,481	-	175,481	-
Accrued interest	3,239	-	3,239	-
Total assets on a recurring fair value measurement basis	488,797	-	488,797	-

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2020				
Malaysian government securities	29,393	-	29,393	-
Cagamas papers	10,082	-	10,082	-
Unquoted corporate debt securities	278,521	-	278,521	-
Mutual funds	219,729	-	219,729	-
Accrued interest	3,252	-	3,252	-
Total assets on a recurring fair value measurement basis	540,977	-	540,977	-

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.

12 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	30.06.2021 RM'000	31.12.2020 RM'000
At fair value		
Equity securities of corporations		
- Unquoted	5,270	5,395
Carrying values of financial instruments		
At 1 January	5,395	5,465
Fair value losses recorded in income statement	(124)	(70)
At 30 June/31 December	5,270	5,395
Current	-	-
Non current	5,270	5,395
	5,270	5,395

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 2021				
Equity securities of corporations - Unquoted	5,270	-	5,270	-
Total assets on a recurring fair value measurement basis	5,270	-	5,270	-
At 31 December 2020				
Equity securities of corporations - Unquoted	5,395	-	5,395	-
Total assets on a recurring fair value measurement basis	5,395	-	5,395	-

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

	30.06.2021 RM'000	31.12.2020 RM'000
Reinsurance of insurance contracts	19,809	18,674
Current	7,539	7,214
Non current	12,270	11,460
	19,809	18,674

14 INSURANCE RECEIVABLES

	30.06.2021 RM'000	31.12.2020 RM'000
Outstanding premiums including agents' balances	35,835	35,877
Amount due from reinsurers	137	1,624
	35,972	37,501
Allowance for impairment losses	(175)	(1,312)
	35,797	36,189
Receivable within 12 months	35,797	36,189

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 2021			
Insurance receivables	35,979	-	35,979
Insurance payables	(8,203)	-	(8,203)
	27,776	-	27,776
At 31 December 2020			
Insurance receivables	37,518	(17)	37,501
Insurance payables	(6,409)	17	(6,392)
	31,109	-	31,109

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 2020.

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)

Fair value measurements on a recurring basis (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 2020, 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 2020.

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 2021 is set out below.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2021				
Financial assets				
Loans and receivables	-	-	48,661	48,661
Insurance receivables	-	-	35,797	35,797
	-	-	84,458	84,458
Financial liabilities				
Insurance payables	-	-	8,203	8,203
Other payables	-	-	34,309	34,309
	-	-	42,512	42,512
At 31 December 2020				
Financial assets				
Loans and receivables	-	-	47,682	47,682
Insurance receivables	-	-	36,189	36,189
	-	-	83,871	83,871
Financial liabilities				
Insurance payables	-	-	6,392	6,392
Other payables	-	-	36,071	36,071
	-	-	42,463	42,463

16 INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2021			
Claims reported by policyholders	127,021	(11,099)	115,922
Incurred but not reported ("IBNR") claims	73,414	(5,385)	68,029
Claims liabilities (i)	200,435	(16,484)	183,951
Premium liabilities (ii)	116,430	(3,325)	113,105
	316,865	(19,809)	297,056
At 31 December 2020			
Claims reported by policyholders	121,566	(10,979)	110,587
Incurred but not reported ("IBNR") claims	69,557	(4,794)	64,763
Claims liabilities (i)	191,123	(15,773)	175,350
Premium liabilities (ii)	114,214	(2,901)	111,313
	305,337	(18,674)	286,663

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2021			
At 1 January 2021	191,123	(15,773)	175,350
Claims incurred in the current accident year	42,454	(2,008)	40,446
Movement in claims incurred in prior accident years	4,288	(2,257)	2,031
Claims paid during the financial period	(35,145)	3,606	(31,539)
Others	(4,113)	-	(4,113)
Change in expense liabilities and risk margin	1,828	(52)	1,776
At 30 June 2021	200,435	(16,484)	183,951
At 31 December 2020			
At 1 January 2020	192,065	(13,911)	178,154
Claims incurred in the current accident year	60,073	(3,624)	56,449
Movement in claims incurred in prior accident years	16,885	(430)	16,455
Claims paid during the financial year	(73,862)	2,312	(71,550)
Others	(3,887)	-	(3,887)
Change in expense liabilities and risk margin	(151)	(120)	(271)
At 31 December 2020	191,123	(15,773)	175,350

16 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premium liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 30 June 2021			
At 1 January 2021	114,214	(2,901)	111,313
Premium written during the financial period (Note 18)	148,731	(9,416)	139,315
Premium earned during the financial period	(146,515)	8,992	(137,523)
At 30 June 2021	116,430	(3,325)	113,105
At 31 December 2020			
At 1 January 2020	111,346	(2,883)	108,463
Premium written during the financial year	294,040	(17,952)	276,088
Premium earned during the financial year	(291,172)	17,934	(273,238)
At 31 December 2020	114,214	(2,901)	111,313

17 INSURANCE PAYABLES

	30.06.2021 RM'000	31.12.2020 RM'000
Due to reinsurers	2,086	1,938
Due to agents and insureds	6,117	4,454
	8,203	6,392

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 2021 (CONTINUED)

18 NET EARNED PREMIUMS

	6 months period ended 30.06.2021 RM'000	6 months period ended 30.06.2020 RM'000
(a) Gross earned premiums		
Gross premiums	148,731	148,426
Change in premium liabilities	(2,216)	(2,891)
	146,515	145,535
(b) Premiums ceded to reinsurers		
Gross premiums ceded	(9,416)	(8,805)
Change in premium liabilities	424	67
	(8,992)	(8,738)
Net earned premiums	137,523	136,797

19 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2021, as prescribed under the RBC Framework is provided below:

	30.06.2021 RM'000	31.12.2020 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	190,000	190,000
Reserves, including retained earnings	62,753	115,101
	252,753	305,101
Tier 2 Capital		
Available-for-sale fair value reserves	5,370	18,566
	5,370	18,566
Amount deducted from capital	(3,926)	(3,443)
Total capital available	254,197	320,224

20 CONTINGENCIES

Malaysia Competition Commission ("MyCC") had on 25 September 2020 delivered their decision 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. MyCC found PIAM and its 22 members companies have infringed Section 4 prohibition by participating in an agreement which has, as its object, the prevention, restriction or distortion in relation to the market of parts trade and labour charge for PIAM approved repairers scheme (PARS) workshop from 1.1.2012 to 17.2.2017.

MyCC imposed a financial penalty of RM1,837,453.12 on the Company. In view of the impact of COVID-19 pandemic, MyCC granted a reduction of 25% of the financial penalty, accordingly the Company financial penalty has been reduced to RM1,378,089.84. MyCC also granted the Company a moratorium period for the payment of the financial penalty up to 6 months and payment of the financial penalty by equal monthly installment for up to 6 months.

The Company had filed a Notice of Appeal and applied for a stay on the financial penalty in October 2020. The hearing of the stay of execution was on 25 February 2021. On 23 March 2021, CAT delivered their decision, granting AIA a stay of execution pending appeal on both the financial penalty and cease and desist order. The hearing of the Notice of Appeal are fixed from 12 November to 26 November 2021.

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