

Company No.

201001040438 (924363-W)

**AIA GENERAL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

Company No.

201001040438 (924363-W)

**AIA GENERAL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

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**AIA GENERAL BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	<u>Note</u>	<u>30.06.2022</u> RM'000	<u>31.12.2021</u> RM'000
<b>Assets</b>			
Property and equipment		254	301
Right-of-use assets		934	1,051
Intangible assets		3,403	3,304
Available-for-sale financial assets	11	482,091	501,782
Fair value through profit or loss financial assets	12	2,348	2,385
Loans and receivables		49,553	45,004
Reinsurance assets	13	21,422	27,435
Insurance receivables	14	37,992	37,889
Deferred tax assets		2,995	-
Current tax assets		1,404	-
Cash and cash equivalents		34,092	32,212
<b>Total assets</b>		<u>636,488</u>	<u>651,363</u>
<b>Equity and liabilities</b>			
Share capital		190,000	190,000
Retained earnings		63,290	89,821
Available-for-sale fair value reserve		(6,499)	2,641
<b>Total equity</b>		<u>246,791</u>	<u>282,462</u>
Insurance contract liabilities	16	337,737	331,771
Insurance payables	17	14,281	11,414
Other payables		36,683	23,519
Lease liabilities		996	1,114
Deferred tax liabilities		-	415
Current tax liabilities		-	668
<b>Total liabilities</b>		<u>389,697</u>	<u>368,901</u>
<b>Total equity and liabilities</b>		<u>636,488</u>	<u>651,363</u>

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 2022**

	<b>Note</b>	<b>6 months period ended <u>30.06.2022</u> RM'000</b>	<b>6 months period ended <u>30.06.2021</u> RM'000</b>
Gross earned premiums		147,606	146,515
Premiums ceded to reinsurers		(9,117)	(8,992)
Net earned premiums	18	<u>138,489</u>	<u>137,523</u>
Investment income		6,784	6,833
Net realised (losses)/gains		(3,066)	346
Fair value losses		(37)	(122)
<b>Total net revenue</b>		<u>142,170</u>	<u>144,580</u>
Gross benefits and claims paid		(40,220)	(35,145)
Claims ceded to reinsurers		4,989	3,606
Gross change to insurance contract liabilities		(2,364)	(9,312)
Change in insurance contract liabilities ceded to reinsurers		(7,124)	711
<b>Net insurance benefits and claims</b>		<u>(44,719)</u>	<u>(40,140)</u>
Fee and commission expenses		(32,461)	(33,007)
Management expenses		(45,236)	(35,497)
Other operating (expenses)/income		(1,377)	68
<b>Other expenses</b>		<u>(79,074)</u>	<u>(68,436)</u>
<b>Profit before tax</b>		18,377	36,004
Tax expense		(4,908)	(8,352)
<b>Profit after tax for the period</b>		<u>13,469</u>	<u>27,652</u>
Basic earnings per share (sen)		<u>7.09</u>	<u>14.55</u>

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**AIA GENERAL BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

	<b>6 months period ended <u>30.06.2022</u> RM'000</b>	<b>6 months period ended <u>30.06.2021</u> RM'000</b>
<b>Profit after tax for the period</b>	13,469	27,652
<b>Other comprehensive income:</b>		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Fair value losses arising during the period	(15,093)	(15,061)
Fair value losses/(gains) transferred to income statement	3,066	(346)
Deferred taxation	2,887	2,211
<b>Total other comprehensive income/(expense) - net of tax, for the period</b>	<u>(9,140)</u>	<u>(13,196)</u>
<b>Total comprehensive income for the period</b>	<u>4,329</u>	<u>14,456</u>

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

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

		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 2022	190,000	2,641	-	89,821	282,462
Total comprehensive income for the period	-	(9,140)	-	13,469	4,329
Share-based compensation:					
- value of employee services	-	-	34	-	34
- repayment to ultimate holding company	-	-	(34)	-	(34)
Dividend paid during the financial year				(40,000)	(40,000)
At 30 June 2022	<u>190,000</u>	<u>(6,499)</u>	<u>-</u>	<u>63,290</u>	<u>246,791</u>
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	<u>190,000</u>	<u>5,370</u>	<u>-</u>	<u>62,753</u>	<u>258,123</u>

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**AIA GENERAL BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

	<b>6 months period ended <u>30.06.2022</u> RM'000</b>	<b>6 months period ended <u>30.06.2021</u> RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	18,377	36,004
Interest and dividend income	(6,833)	(7,261)
Net amortisation of premium on investments	168	243
Realised losses/(gains)	3,066	(1,151)
Fair value losses	37	121
(Reversal of)/allowance for impairment losses	(47)	31
Write off of allowances for bad debts	9	25
Depreciation		
- property and equipment	58	54
- right-of-use assets	117	139
Amortisation		
- intangible assets	154	213
Interest expenses	12	27
Operating profit before working capital changes	<u>15,118</u>	<u>28,445</u>
<b>Changes in working capital:</b>		
Decrease in AFS and FVTPL financial assets	4,821	37,672
Decrease/(increase) in reinsurance assets	6,013	(1,135)
(Increase)/decrease in insurance receivables	(65)	336
Increase in loans and receivables	(4,840)	(1,064)
Increase in insurance payables	2,867	1,811
Increase in insurance contract liabilities	5,966	11,528
Increase/(decrease) in other payables	13,164	(1,762)
Cash generated from operating activities	<u>43,044</u>	<u>75,831</u>
Income taxes paid	(7,503)	(11,769)
Interest income received	6,667	6,861
Interest paid	(12)	(27)
Dividend income received	66	1,013
<b>Net cash inflow from operating activities</b>	<u>42,262</u>	<u>71,909</u>

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

	<b>6 months period ended <u>30.06.2022</u> RM'000</b>	<b>6 months period ended <u>30.06.2021</u> RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11)	(5)
Purchase of intangible asset	<u>(253)</u>	<u>(42)</u>
<b>Net cash outflow from investing activities</b>	<u>(264)</u>	<u>(47)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(118)	(131)
Dividend paid	<u>(40,000)</u>	<u>(80,000)</u>
<b>Net cash outflow from financing activities</b>	<u>(40,118)</u>	<u>(80,131)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,880	(8,269)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<u>32,212</u>	<u>26,431</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<u><u>34,092</u></u>	<u><u>18,162</u></u>
<b><u>Cash and cash equivalents comprised:</u></b>		
Cash and bank balances	28,792	11,672
Fixed and call deposits with licensed financial institutions with maturity of equal and less than 3 months	<u>5,300</u>	<u>6,490</u>
	<u><u>34,092</u></u>	<u><u>18,162</u></u>

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.



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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022**

**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 24 August 2022.

**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 Policy Document 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 2021.

**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 2021, except for the adoption of the following:

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**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 2022**

The following accounting standards, amendments and interpretations have been adopted for the first time for the financial period beginning on 1 January 2022.

- Annual Improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"
- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Amendments to MFRS 116 "Proceeds before intended use"
- Amendments to MFRS 137 "Onerous contracts – cost of fulfilling a contract"

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:

Financial year beginning on/after 1 January 2023

- Annual Improvements to MFRS 101 'Classification of liabilities as current of 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. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

The amendments shall be applied retrospectively.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**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)

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- MFRS 17 "Insurance Contracts" replaces MFRS 4 "Insurance Contracts" and the related interpretations

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.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**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” and the related interpretations (continued)

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.

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FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**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)

- 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.

**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 2022.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**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 2022.

**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 2022.

**8 DIVIDEND PAID**

During the period ended 30 June 2022, a final single tier dividend of RM0.2105 per ordinary share on 190,000,000 ordinary shares in respect of the financial year ended 31 December 2021 amounting to RM40,000,000 was paid on 13 June 2022.

**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 2022 that has not been reflected in the condensed interim financial statements.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**11 AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<u>30.06.2022</u>	<u>31.12.2021</u>
	RM'000	RM'000
<u>At fair value</u>		
Malaysian government securities	25,569	26,200
Unquoted corporate debt securities	269,852	277,935
Mutual funds	183,537	194,343
Accrued interest	3,133	3,304
	<u>482,091</u>	<u>501,782</u>
<u>Carrying values of financial instruments</u>		
At 1 January	501,782	540,977
Purchases	84,611	114,683
Maturities	(7,000)	(17,000)
Disposals at amortised cost	(84,936)	(116,669)
Fair value losses recorded in other comprehensive income	(15,095)	(19,896)
Fair value gains transferred to income statement	3,068	148
Movement in accrued interest	(171)	52
Net amortisation of premiums	(168)	(513)
At 30 June/31 December	<u>482,091</u>	<u>501,782</u>
Current	7,265	14,528
Non current	<u>474,826</u>	<u>487,254</u>
	<u>482,091</u>	<u>501,782</u>

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**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:

	<u>Carrying amount</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000
<b><u>At 30 June 2022</u></b>				
Malaysian government securities	25,569	-	25,569	-
Unquoted corporate debt securities	269,852	-	269,852	-
Mutual funds	183,537	-	183,537	-
Accrued interest	3,133	-	3,133	-
Total assets on a recurring fair value measurement basis	<u>482,091</u>	<u>-</u>	<u>482,091</u>	<u>-</u>

	<u>Carrying amount</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000
<b><u>At 31 December 2021</u></b>				
Malaysian government securities	26,200	-	26,200	-
Unquoted corporate debt securities	277,935	-	277,935	-
Mutual funds	194,343	-	194,343	-
Accrued interest	3,304	-	3,304	-
Total assets on a recurring fair value measurement basis	<u>501,782</u>	<u>-</u>	<u>501,782</u>	<u>-</u>

**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.



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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
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**12 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS**

	<u>30.06.2022</u> RM'000	<u>31.12.2021</u> RM'000
<u>At fair value</u>		
Equity securities of corporations		
- Unquoted	2,348	2,385
<u>Carrying values of financial instruments</u>		
At 1 January	2,385	5,395
Disposal	-	(2,841)
Fair value losses recorded in income statement	(37)	(169)
At 30 June/31 December	2,348	2,385
Current	-	-
Non current	2,348	2,385
	2,348	2,385

**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:

	<u>Carrying amount</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000
<b><u>At 30 June 2022</u></b>				
Equity securities of corporations				
- Unquoted	2,348	-	2,348	-
Total assets on a recurring fair value measurement basis	2,348	-	2,348	-
<b><u>At 31 December 2021</u></b>				
Equity securities of corporations				
- Unquoted	2,385	-	2,385	-
Total assets on a recurring fair value measurement basis	2,385	-	2,385	-

**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.

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**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

**13 REINSURANCE ASSETS**

	<u><b>30.06.2022</b></u> RM'000	<u><b>31.12.2021</b></u> RM'000
Reinsurance of insurance contracts	21,422	27,435
Current	8,913	14,074
Non current	12,509	13,361
	<u>21,422</u>	<u>27,435</u>

**14 INSURANCE RECEIVABLES**

	<u><b>30.06.2022</b></u> RM'000	<u><b>31.12.2021</b></u> RM'000
Outstanding premiums including agents' balances	37,605	37,958
Amount due from reinsurers	584	159
	<u>38,189</u>	<u>38,117</u>
Allowance for impairment losses	(197)	(228)
	<u>37,992</u>	<u>37,889</u>
Receivable within 12 months	<u>37,992</u>	<u>37,889</u>

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**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:

	<b>Gross amount of recognised financial assets/(liabilities) <u>RM'000</u></b>	<b>Gross amount of recognised financial assets/(liabilities) set off in the statement of financial position <u>RM'000</u></b>	<b>Net amount of financial assets/(liabilities) presented in the statement of financial position <u>RM'000</u></b>
<b><u>At 30 June 2022</u></b>			
Insurance receivables	38,189	-	38,189
Insurance payables	(14,281)	-	(14,281)
	<u>23,908</u>	<u>-</u>	<u>23,908</u>
<b><u>At 31 December 2021</u></b>			
Insurance receivables	37,889	-	37,889
Insurance payables	(11,414)	-	(11,414)
	<u>26,475</u>	<u>-</u>	<u>26,475</u>

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.

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**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 2022.

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.

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**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 2022, 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 2022.

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.

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**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 2022 is set out below.

	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<b><u>At 30 June 2022</u></b>				
<b>Financial assets</b>				
Loans and receivables	-	-	49,372	49,372
Insurance receivables	-	-	37,992	37,992
	<u>-</u>	<u>-</u>	<u>87,364</u>	<u>87,364</u>
<b>Financial liabilities</b>				
Insurance payables	-	-	14,281	14,281
Other payables	-	-	36,683	36,683
	<u>-</u>	<u>-</u>	<u>50,964</u>	<u>50,964</u>
<b><u>At 31 December 2021</u></b>				
<b>Financial assets</b>				
Loans and receivables	-	-	44,801	44,801
Insurance receivables	-	-	37,889	37,889
	<u>-</u>	<u>-</u>	<u>82,690</u>	<u>82,690</u>
<b>Financial liabilities</b>				
Insurance payables	-	-	11,414	11,414
Other payables	-	-	23,519	23,519
	<u>-</u>	<u>-</u>	<u>34,933</u>	<u>34,933</u>

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**16 INSURANCE CONTRACT LIABILITIES**

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<b>At 30 June 2022</b>			
Claims reported by policyholders	145,310	(13,504)	131,806
Incurred but not reported ("IBNR") claims	74,713	(3,699)	71,014
Claims liabilities (i)	<u>220,023</u>	<u>(17,203)</u>	<u>202,820</u>
Premium liabilities (ii)	117,714	(4,219)	113,495
	<u>337,737</u>	<u>(21,422)</u>	<u>316,315</u>

**At 31 December 2021**

Claims reported by policyholders	138,521	(12,218)	126,303
Incurred but not reported ("IBNR") claims	79,138	(12,110)	67,028
Claims liabilities (i)	<u>217,659</u>	<u>(24,328)</u>	<u>193,331</u>
Premium liabilities (ii)	114,112	(3,107)	111,005
	<u>331,771</u>	<u>(27,435)</u>	<u>304,336</u>

(i) Claims liabilities

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<b>At 30 June 2022</b>			
At 1 January 2022	217,659	(24,328)	193,331
Claims incurred in the current accident year	45,884	622	46,506
Movement in claims incurred in prior accident years	1,574	160	1,734
Claims paid during the financial period	(40,220)	4,989	(35,231)
Others	(4,814)	-	(4,814)
Change in expense liabilities and risk margin	(60)	1,354	1,294
At 30 June 2022	<u>220,023</u>	<u>(17,203)</u>	<u>202,820</u>

**At 31 December 2021**

At 1 January 2021	191,123	(15,773)	175,350
Claims incurred in the current accident year	71,568	(10,968)	60,600
Movement in claims incurred in prior accident years	21,876	(1,400)	20,476
Claims paid during the financial year	(67,425)	5,491	(61,934)
Others	(5,002)	-	(5,002)
Change in expense liabilities and risk margin	5,519	(1,678)	3,841
At 31 December 2021	<u>217,659</u>	<u>(24,328)</u>	<u>193,331</u>

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**16 INSURANCE CONTRACT LIABILITIES (CONTINUED)**

(ii) Premium liabilities

	<u>Gross</u> RM'000	<u>Reinsurance</u> RM'000	<u>Net</u> RM'000
<b>At 30 June 2022</b>			
At 1 January 2022	114,112	(3,107)	111,005
Premium written during the financial period (Note 18)	151,208	(10,229)	140,979
Premium earned during the financial period	<u>(147,606)</u>	<u>9,117</u>	<u>(138,489)</u>
At 30 June 2022	<u>117,714</u>	<u>(4,219)</u>	<u>113,495</u>
<b>At 31 December 2021</b>			
At 1 January 2021	114,214	(2,901)	111,313
Premium written during the financial year	293,867	(19,370)	274,497
Premium earned during the financial year	<u>(293,969)</u>	<u>19,164</u>	<u>(274,805)</u>
At 31 December 2021	<u>114,112</u>	<u>(3,107)</u>	<u>111,005</u>

**17 INSURANCE PAYABLES**

	<u>30.06.2022</u> RM'000	<u>31.12.2021</u> RM'000
Due to reinsurers	2,375	3,329
Due to agents and insureds	<u>11,906</u>	<u>8,085</u>
	<u>14,281</u>	<u>11,414</u>

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.



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**18 NET EARNED PREMIUMS**

	<b>6 months period ended <u>30.06.2022</u> RM'000</b>	<b>6 months period ended <u>30.06.2021</u> RM'000</b>
<b>(a) Gross earned premiums</b>		
Gross premiums	151,208	148,731
Change in premium liabilities	<u>(3,602)</u>	<u>(2,216)</u>
	<u>147,606</u>	<u>146,515</u>
<b>(b) Premiums ceded to reinsurers</b>		
Gross premiums ceded	(10,229)	(9,416)
Change in premium liabilities	<u>1,112</u>	<u>424</u>
	<u>(9,117)</u>	<u>(8,992)</u>
<b>Net earned premiums</b>	<u><u>138,489</u></u>	<u><u>137,523</u></u>

**19 REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 30 June 2022, as prescribed under the RBC Framework is provided below:

	<b><u>30.06.2022</u> RM'000</b>	<b><u>31.12.2021</u> RM'000</b>
<b><u>Eligible Tier 1 Capital</u></b>		
Share capital (paid up)	190,000	190,000
Reserves, including retained earnings	<u>63,290</u>	<u>89,821</u>
	<u>253,290</u>	<u>279,821</u>
<b><u>Tier 2 Capital</u></b>		
Available-for-sale fair value reserves	(6,499)	2,641
	<u>(6,499)</u>	<u>2,641</u>
<b>Amount deducted from capital</b>	<u>(10,942)</u>	<u>(5,373)</u>
<b>Total capital available</b>	<u><u>235,849</u></u>	<u><u>277,089</u></u>

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**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 Competition Appeal Tribunal (CAT) has completed the hearing for the appeal at the end of April 2022 and it is now pending CAT 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.