

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2022

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

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

	Note	30.6.2022 RM'000	31.12.2021 RM'000
Assets			
Property, plant and equipment		82,368	81,050
Right-of-use assets		20,538	24,234
Intangible assets		85,813	85,682
Deferred tax assets		44,721	34,404
Investments		5,355,564	5,445,428
Reinsurance assets	7	939,953	1,006,403
Insurance receivables		263,956	125,839
Loans and receivables		77,311	80,086
Deferred acquisition costs		135,300	123,662
Current tax assets		19,748	9,856
Cash and cash equivalents		211,217	349,892
Total assets		7,236,489	7,366,536
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,887,246	1,814,776
Other reserves		(40,237)	39,240
Total equity		2,226,177	2,233,184
Insurance contract liabilities	8	4,467,279	4,389,087
Insurance payables		221,976	267,398
Other payables and accruals		309,103	459,785
Lease liabilities		11,954	17,082
Deferred tax liabilities		-	-
Total liabilities		5,010,312	5,133,352
Total equity and liabilities		7,236,489	7,366,536

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 30 JUNE 2022-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2022 RM'000	Preceding year Corresponding Half-Yearly 30.6.2021 RM'000	Current Year To Date 30.6.2022 RM'000	Preceding year Corresponding Period 30.6.2021 RM'000
Operating revenue	1,330,496	1,296,125	1,330,496	1,296,125
Gross earned premiums	1,238,789	1,207,855	1,238,789	1,207,855
Premiums ceded to reinsurers	(121,726)	(123,097)	(121,726)	(123,097)
Net earned premiums	1,117,063	1,084,758	1,117,063	1,084,758
Investment income	91,707	88,270	91,707	88,270
Realised gains and losses	379	455	379	455
Fee and commission income	19,169	20,830	19,169	20,830
Other operating income	912	193	912	193
Other revenue	112,167	109,748	112,167	109,748
Gross claim paid	(678,052)	(470,108)	(678,052)	(470,108)
Claims ceded to reinsurers	81,452	28,759	81,452	28,759
Gross change to contract liabilities	30,153	(176,688)	30,153	(176,688)
Change in contract liabilities ceded to reinsurers	(99,558)	(20,935)	(99,558)	(20,935)
Net claims incurred	(666,005)	(638,972)	(666,005)	(638,972)
Fee and commission expense	(159,376)	(150,508)	(159,376)	(150,508)
Management expenses	(164,404)	(194,877)	(164,404)	(194,877)
Finance cost	(215)	(396)	(215)	(396)
Other operating expenditure	(30,587)	(1,336)	(30,587)	(1,336)
Other expenses	(354,582)	(347,117)	(354,582)	(347,117)
Profit before tax	208,643	208,417	208,643	208,417
Tax expense	(65,648)	(51,920)	(65,648)	(51,920)
Profit for the period	142,995	156,497	142,995	156,497
Profit attributable to:				
Owners of the Company	142,995	156,497	142,995	156,497

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2022-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2022 RM'000	Preceding year Corresponding Half-Yearly 30.6.2021 RM'000	Current Year To Date 30.6.2022 RM'000	Preceding year Corresponding Period 30.6.2021 RM'000
Profit for the period	142,995	156,497	142,995	156,497
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Fair value of available-for-sale ("AFS") financial assets				
- Net unrealised losses arising during the year	(104,211)	(86,955)	(104,211)	(86,955)
- Realised gains transferred to income statement	(364)	(455)	(364)	(455)
	(104,575)	(87,410)	(104,575)	(87,410)
Tax effects thereon	25,098	20,978	25,098	20,978
	(79,477)	(66,432)	(79,477)	(66,432)
Total other comprehensive loss for the period, net of tax	(79,477)	(66,432)	(79,477)	(66,432)
Total comprehensive income for the period	63,518	90,065	63,518	90,065
Total comprehensive income attributable to: Owners of the Company	63,518	90,065	63,518	90,065

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2022 - UNAUDITED

	← Non distributable →				Distributable Retained earnings RM'000	Total equity RM'000
	Share Capital RM'000	Capital reserve RM'000	Fair value reserve RM'000	Asset revaluation reserve RM'000		
At 1 January 2021	379,168	4,523	128,943	11,803	1,722,412	2,246,849
Fair value of available-for-sale financial assets	-	-	(66,432)	-	-	(66,432)
Total other comprehensive income for the period	-	-	(66,432)	-	-	(66,432)
Profit for the period	-	-	-	-	156,497	156,497
Total comprehensive income for the period	-	-	(66,432)	-	156,497	90,065
At 30 June 2021	379,168	4,523	62,511	11,803	1,878,909	2,336,914
At 1 January 2022	379,168	4,523	18,304	16,413	1,814,776	2,233,184
Fair value of available-for-sale financial assets	-	-	(79,477)	-	-	(79,477)
Total other comprehensive loss for the period	-	-	(79,477)	-	-	(79,477)
Profit for the period	-	-	-	-	142,995	142,995
Total comprehensive income for the period	-	-	(79,477)	-	142,995	63,518
<i>Contributions by and distributions to owner of the Company</i>						
- Dividend payable to the owners of the Company	-	-	-	-	(70,525)	(70,525)
Total transactions with owners of the Company	-	-	-	-	(70,525)	(70,525)
At 30 June 2022	379,168	4,523	(61,173)	16,413	1,887,246	2,226,177

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

Company No. 200601015674 (735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2022-UNAUDITED**

	As at 30.6.2022	As at 30.6.2021
Operating activities		
Profit before tax	208,643	208,417
Investment income	(91,707)	(88,270)
Realised gain recorded in profit or loss	(364)	(455)
Realised loss on disposal of property, plant and equipment	(15)	-
Rental income of property, plant and equipment	(290)	(132)
Purchases of available-for-sale financial investments	(448,585)	(660,193)
Placement of fixed deposits	(141,435)	(124,075)
Maturity of fixed deposits	284,661	171,250
Proceeds from sale of available-for-sale financial investments	10,364	61,760
Maturity of available-for-sale financial investments	245,000	390,000
Non-cash items:		
Depreciation of property, plant and equipment	4,786	4,216
Depreciation of right-of-use assets	7,043	7,020
Amortisation of intangible assets	7,676	7,757
(Reversal of)/ Allowance for impairment loss on receivables	(27,835)	6,012
Reversal of impairment loss on reinsurance assets	(2,575)	(3)
Bad debts recovered	(28)	(18)
Property, plant and equipment written off	84	-
Bad debts written off on receivables	(4)	(1)
Impairment on AFS financial assets	29,325	-
Interest expense	330	270
Interest on lease liabilities	215	396
Changes in working capital:		
Change in reinsurance assets	69,026	(8,347)
Change in insurance receivables	(110,250)	(40,133)
Change in loans and other receivables	4,589	2,477
Change in deferred acquisition costs	(11,638)	(3,435)
Change in insurance contract liabilities	78,192	158,327
Change in insurance payables	(45,423)	(7,619)
Change in other payables and accruals	18,097	(13,538)
	<u>87,882</u>	<u>71,683</u>
Dividend income from unquoted unit trust	12,996	13,892
Interest income received	83,191	76,950
Rental income received	290	132
Bad debts recovered	28	18
Interest on lease liabilities	(215)	(396)
Income tax paid	(60,758)	(58,867)
Net cash flows from operating activities	<u>123,414</u>	<u>103,412</u>

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**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2022-UNAUDITED**

	As at 30.6.2022	As at 30.6.2021
Investing activities		
Proceeds from disposal of property, plant and equipment	25	1,010
Purchase of property, plant and equipment	(6,197)	(5,912)
Purchase of intangibles assets	(7,807)	(3,849)
Net cash flows used in investing activities	<u>(13,979)</u>	<u>(8,751)</u>
Financing activities		
Dividends paid to owners of the Company	(239,634)	(249,872)
Repayment of lease liabilities	(8,476)	(7,105)
Net cash flows used in financing activities	<u>(248,110)</u>	<u>(256,977)</u>
Net decrease in cash and cash equivalents	(138,675)	(162,316)
Cash and cash equivalents at beginning of year	349,892	325,251
Cash and cash equivalents at end of period	<u>211,217</u>	<u>162,935</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	209,894	160,220
Cash and bank balances	1,323	2,715
	<u>211,217</u>	<u>162,935</u>

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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Part A: Explanatory notes to the condensed financial statements

1. Basis of preparation

The condensed interim financial statements of the Company have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2021.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Company for the Report are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 201, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 16, Leases – *Covid-19 - Related Rent Concessions beyond 30 June 2021*

Amendments to MFRS 3, Business Combinations – *Reference to the Conceptual Framework*

Amendments to MFRS 116, Property, Plant and Equipment – *Proceeds before Intended Use*

Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – *Onerous Contracts - Cost of Fulfilling a Contract*

Annual Improvements to MFRS Standards 2018 - 2020

- *Amendment to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards*
- *Amendment to MFRS 9 Financial Instruments*
- *Amendment to MFRS 141 Agriculture*

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

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

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

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9, Financial Instruments before the forthcoming new insurance contracts standard.

The amendments provide 2 different approaches for the Company:

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

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2. Changes in accounting policies (continued)

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

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

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

	Fair value as at 30.6.2022	Change in fair value	Cash flows characteristic
Financial assets	RM'000	RM'000	
Malaysian government securities	2,018,424	(54,481)	SPPI
Malaysian government guaranteed bonds	639,590	(22,949)	SPPI
Unquoted debt securities	1,510,700	(32,323)	SPPI
Unquoted unit trust in Malaysia	1,100,613	5,178	Non-SPPI
Fixed deposits with licensed banks	86,237	-	SPPI
Loans and other receivables	77,311	-	SPPI
Cash and cash equivalents	211,217	-	SPPI
	<u>5,644,092</u>	<u>(104,575)</u>	

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

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

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

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
<u>Investments</u>			
Malaysian government securities	(54,481)	-	(54,481)
Malaysian government guaranteed bonds	(22,949)	-	(22,949)
Unquoted debt securities	(32,323)	-	(32,323)
Unquoted unit trust in Malaysia	-	5,178	5,178
	<u>(109,753)</u>	<u>5,178</u>	<u>(104,575)</u>

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

	AAA	AA	A	BBB	Non-investment grade	Non-rated	Past-due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	-	-	-	-	-	2,018,424	-	2,018,424
Malaysian government guaranteed bonds	-	-	-	-	-	639,590	-	639,590
Unquoted debt securities	839,446	667,504	-	11,097	-	-	-	1,518,047
Fixed deposits	23,658	62,579	-	-	-	-	-	86,237
Loans and other receivables	-	-	-	-	-	77,311	-	77,311
Cash and cash equivalents	143,329	67,491	303	-	-	95	-	211,218
	<u>1,006,433</u>	<u>797,574</u>	<u>303</u>	<u>11,097</u>	<u>-</u>	<u>2,735,420</u>	<u>-</u>	<u>4,550,827</u>

* All financial assets with SPPI cash flows of the Company as at 30 June 2022 have low credit risk.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2022 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

3. Items of an unusual nature

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

4. Changes in estimates

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

5. Seasonal or cyclical factors

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

6. Property, plant and equipment

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. There were no changes in the valuation of property, plant and equipment that were brought forward from the Company's audited financial statements for the year ended 31 December 2021.

7. Reinsurance assets

	30.6.2022 RM'000	31.12.2021 RM'000
Non-current		
Reinsurance of insurance contracts		
Claims liabilities	274,034	308,402
Current		
Reinsurance of insurance contracts		
Claims liabilities	540,309	608,073
Allowance for impairment	-	(2,575)
	540,309	605,498
Premium liabilities	125,610	92,503
	665,919	698,001
	939,953	1,006,403

8. Insurance contract liabilities

General insurance contract liabilities consist of:

	30.6.2022			31.12.2021		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported	2,324,919	(578,868)	1,746,051	2,078,094	(454,938)	1,623,156
Provision for incurred but not reported claims	839,317	(235,475)	603,842	1,116,295	(461,537)	654,758
Provision for outstanding claims	3,164,236	(814,343)	2,349,893	3,194,389	(916,475)	2,277,914
Allowance for impairment	-	-	-	-	2,575	2,575
Provision for outstanding claims (i)	3,164,236	(814,343)	2,349,893	3,194,389	(913,900)	2,280,489
Provision for unearned premiums (ii)	1,303,043	(125,610)	1,177,433	1,194,698	(92,503)	1,102,195
	4,467,279	(939,953)	3,527,326	4,389,087	(1,006,403)	3,382,684

8. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2022			31.12.2021		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	3,194,389	(913,900)	2,280,489	2,724,555	(734,819)	1,989,736
Claims incurred in the current accident year	879,507	(61,427)	818,080	1,738,148	(360,090)	1,378,058
Adjustment to claims incurred in prior accident year	(3,242)	(165,671)	(168,913)	337,764	(140,589)	197,176
Other movements in claims incurred in prior accident year	(228,366)	245,203	16,837	(628,787)	255,432	(373,356)
Claims paid during the year	(678,052)	81,452	(596,600)	(977,291)	66,166	(911,125)
At 30 June / 31 December	3,164,236	(814,343)	2,349,893	3,194,389	(913,900)	2,280,489

(ii) Provision for unearned premium

	30.6.2022			31.12.2021		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,194,698	(92,503)	1,102,195	1,176,241	(92,614)	1,083,627
Premiums written in the year	1,347,134	(154,833)	1,192,301	2,430,563	(287,853)	2,142,710
Premiums earned during the year	(1,238,789)	121,726	(1,117,063)	(2,412,106)	287,964	(2,124,142)
At 30 June / 31 December	1,303,043	(125,610)	1,177,433	1,194,698	(92,503)	1,102,195

9. Changes in group composition

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

10. Capital commitments

	30.6.2022 RM'000	31.12.2021 RM'000
Property, plant and equipment Contracted but not provided for	1,547	562
Software development Contracted but not provided for	2,760	2,655

11. Related party transactions

Significant related party transactions are as follows:

	Transaction value Six months ended	
	30.6.2022 RM'000	30.6.2021 RM'000
Related companies*		
Reinsurance premium and commission	(92,258)	(79,370)

*Related companies are companies within the Allianz SE Group.

12. Changes in contingent liabilities

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

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

Following the parties' submission of their respective written representations and the Hearing of the Oral Representations, on 25 September 2020, the Company's solicitors received MyCC's Decision that parties had infringed the prohibition under Section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement.

12. Changes in contingent liabilities

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

Appeal filed with the Competition Appeal Tribunal ("CAT")

On 13 October 2020, the Company filed a Notice of Appeal against the Decision ("Appeal") with the Competition Appeal Tribunal ("CAT") and a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020 ("Stay Application").

In response to the Company's Notice of Appeal, MyCC filed a Statement in Reply ("SIR") and the Company then filed its Reply to the SIR on 11 December 2020.

Upon conclusion of the hearing of the respective parties' submissions, on 23 March 2021 CAT allowed the Stay Application, pending the disposal of the Appeal.

As for the appeal proceedings before CAT, MyCC as well as several other insurers have presented their oral submissions on hearing dates in March and April 2022. The Company presented its submissions in reply on 21 April 2022 and 22 April 2022 whereupon all parties' submissions concluded. CAT had then indicated that its judgement would likely be delivered at the end of June 2022. Despite CAT's earlier indication that its judgement may be delivered at the end of June 2022, to date its judgement has yet to be delivered.

Application for leave for Judicial Review filed at the High Court of Malaya

Separately, on 26 April 2021 the High Court of Malaya granted the Company leave to apply for Judicial Review of MyCC's Decision and an interim stay of the Decision until the hearing of any objection or application by MyCC to set it aside. The Company filed its Notice of Hearing of Application for Judicial Review at the High Court on 9 May 2021 and MyCC then filed an application against the orders granting the Company leave to apply for judicial review and interim stay ("MyCC's Setting Aside Application").

On conclusion of the parties' submissions, the High Court decided on 20 October 2021 to allow MyCC's Setting Aside Application. On its solicitors' recommendation, the Company filed a Notice of Appeal against the said decision on 18 November 2021. The matter is now fixed for further case management on 8 September 2022.

The management of the Company believes that the criteria to disclose the above as a contingent liability are met. Saved as disclosed above, the Company does not have any other contingent assets and liabilities since the last annual balance sheet date.

13. Debt and equity securities

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

14. Regulatory capital requirements

	30.6.2022	30.6.2021
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,887,246	1,878,909
	<u>2,266,414</u>	<u>2,258,077</u>
Tier 2 Capital		
Reserves	(40,237)	78,837
	<u>(40,237)</u>	<u>78,837</u>
Amounts deducted from capital	(130,535)	(96,277)
Total capital available	<u><u>2,095,642</u></u>	<u><u>2,240,637</u></u>

15. Subsequent events

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

16. Dividend paid

An interim dividend of 63.2 sen per ordinary share under single tier system amounting to RM239,634,297.98 for the financial year ended 31 December 2021 was paid to the entitled shareholder of the Company on 19 January 2022.

A final dividend of 18.6 sen per ordinary share under single tier system amounting to RM70,525,283.90 for the financial year ended 31 December 2021 was paid to the entitled shareholder of the Company on 20 July 2022.

17. Changes in material litigation

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

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

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

17. Changes in material litigation (continued)

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

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

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

Upon the conclusion of the arbitration proceedings, an Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC ("Award") whilst the Dissenting Arbitrator found in favour of the Company.

The Award ordered the Company to pay the following:

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

As the Company's solicitors were of the view that there were reasonable grounds to seek a review of the majority decision, an Originating Summons was filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("Arbitration Act") and for a Reference of Questions of law under section 42 of the Arbitration Act. On 28 June 2019, the Court declined the Company's application to set aside the Award ("Decision"). Based on the Company solicitors' advice, a Notice of Appeal against the Decision was filed on 15 July 2019 at the Court of Appeal ("AGIC's Appeal").

On 3 September 2021, the Court of Appeal heard and dismissed AGIC's Appeal. On its solicitors' recommendation, the Company filed a leave application to appeal to the Federal Court on 1 October 2021 which was heard and dismissed on 5 April 2022 thereby bringing the proceedings to an end.