

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 JUNE 2019

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 30 June 2019 - unaudited**

	30 June 2019 RM'000	← Audited → 31 December 2018 RM'000
Assets		
Property, plant and equipment	92,256	113,528
Right-of-use assets	83,772	-
Intangible assets	350,060	359,264
Investment properties	19,914	19,914
Deferred tax assets	-	14,051
Reinsurance assets	902,991	904,004
Investments	15,589,788	14,249,398
Derivative financial assets	53,118	26,059
Current tax assets	2,717	6,461
Insurance receivables	343,945	228,103
Other receivables, deposits and prepayments	172,473	149,117
Deferred acquisitions costs	99,364	95,060
Cash and cash equivalents	1,118,738	1,239,635
Total assets	18,829,136	17,404,594

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 30 June 2019 - unaudited (continued)**

	30 June 2019 RM'000	← Audited → 31 December 2018 RM'000
Equity		
Share capital:		
Ordinary Shares	232,216	231,964
Irredeemable Convertible Preference Shares ("ICPS")	538,813	539,065
Reserves	2,857,697	2,590,668
Total equity attributable to owners of the Company	3,628,726	3,361,697
Liabilities		
Insurance contract liabilities	13,812,051	12,789,873
Deferred tax liabilities	320,984	250,267
Derivative financial liabilities	2,082	2,413
Lease liabilities	65,144	-
Insurance payables	403,232	427,770
Other payables and accruals	593,815	569,367
Current tax liabilities	3,102	3,207
Total liabilities	15,200,410	14,042,897
Total equity and liabilities	18,829,136	17,404,594
Net asset per ordinary share (RM)	20.53	19.03
Diluted net asset per ordinary share (RM)	10.48	9.71

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
For the period ended 30 June 2019 - unaudited**

	Note (Part B)	Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,366,015	1,306,772	2,710,310	2,578,178
Gross earned premiums		1,194,799	1,147,179	2,378,244	2,270,227
Premiums ceded to reinsurers		(89,913)	(90,266)	(173,104)	(187,494)
Net earned premiums		1,104,886	1,056,913	2,205,140	2,082,733
Investment income	4	171,216	159,593	332,066	307,951
Realised gains and losses	5	6,991	(2,911)	(20,878)	38,806
Fair value gains and losses	6	128,379	(265,889)	323,939	(289,836)
Fee and commission income		9,786	7,332	19,960	15,914
Other operating income		9,882	104	20,649	11,957
Other income		326,254	(101,771)	675,736	84,792
Gross benefits and claims paid		(620,527)	(609,824)	(1,209,264)	(1,227,780)
Claims ceded to reinsurers		47,344	50,882	95,054	88,632
Gross change in contract liabilities		(368,171)	40,899	(790,369)	(131,160)
Change in contract liabilities ceded to reinsurers		15,549	(6,668)	20,307	(14,156)
Net benefits and claims		(925,805)	(524,711)	(1,884,272)	(1,284,464)
Fee and commission expense		(180,836)	(172,473)	(357,362)	(345,287)
Management expenses		(135,457)	(139,415)	(287,325)	(275,162)
Interest expense		(294)	-	(923)	(115)
Other operating expenses		(11,033)	(2,702)	(22,039)	(19,026)
Other expenses		(327,620)	(314,590)	(667,649)	(639,590)
Profit before tax	7	177,715	115,841	328,955	243,471
Tax expense	8	(60,048)	(25,971)	(112,371)	(66,369)
Profit for the period		117,667	89,870	216,584	177,102
Profit for the period attributable to: Owners of the Company		117,667	89,870	216,584	177,102
Basic earnings per ordinary share (sen)	12(a)	66.57	51.37	122.54	100.89
Diluted earnings per ordinary share (sen)	12(b)	33.99	26.09	62.56	51.32

* Operating revenue consists of gross earned premiums and investment income.

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June 2019 - unaudited**

	Note (Part B)	Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to owners of the Company		117,667	89,870	216,584	177,102
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets					
- Net gains arising during the year		129,731	(115,487)	232,796	(109,730)
- Net realised gains transferred to income statement		(28,268)	(9,055)	(2,887)	(23,087)
Gains on cash flow hedge		8,134	(2,071)	17,812	(517)
Tax effects thereon		(14,242)	12,819	(30,425)	13,842
Change in insurance contract liabilities arising from net fair value change on:					
- AFS financial assets		(67,209)	107,681	(163,548)	112,920
- Cash flow hedge reserve		(8,134)	2,070	(17,812)	516
Tax effects thereon		6,028	(8,780)	14,509	(9,075)
Total other comprehensive income/(loss) for the period, net of tax	1.5	26,040	(12,823)	50,445	(15,131)
Total comprehensive income for the period, net of tax		143,707	77,047	267,029	161,971
Total comprehensive income for the period attributable to:					
Owners of the Company		143,707	77,047	267,029	161,971

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

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of changes in equity for the period ended 30 June 2019 - unaudited

	←————— Attributable to owners of the Company —————→						Total equity
	←————— <i>Non-distributable</i> —————→			—————→ <i>Distributable</i>			
	Ordinary shares	Irredeemable Convertible Preference Shares	Revaluation reserve	Fair value reserve	Retained earnings Life non-participating fund surplus ¹	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	225,268	545,761	41,934	10,169	611,845	1,700,536	3,135,513
Total other comprehensive loss for the period	-	-	-	(15,131)	-	-	(15,131)
Profit for the period	-	-	-	-	62,003	115,099	177,102
Total comprehensive (loss)/income for the period	-	-	-	(15,131)	62,003	115,099	161,971
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	6,600	(6,600)	-	-	-	-	-
Total transactions with owners of the Company	6,600	(6,600)	-	-	-	-	-
At 30 June 2018	231,868	539,161	41,934	(4,962)	673,848	1,815,635	3,297,484

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 30 June 2019 - unaudited (continued)

	←————— Attributable to owners of the Company —————→						Total equity
	←————— <i>Non-distributable</i> —————→			————— <i>Distributable</i> —————→			
	Ordinary shares	Irredeemable Convertible Preference Shares	Revaluation reserve	Fair value reserve	Retained earnings Life non- participating fund surplus ¹	Retained earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2019	231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697
Total other comprehensive income for the period	-	-	-	50,445	-	-	50,445
Profit for the period	-	-	-	-	91,274	125,310	216,584
Total comprehensive income for the period	-	-	-	50,445	91,274	125,310	267,029
Contributions by and distributions to owners of the Company							
Conversion of ICPS to ordinary shares	252	(252)	-	-	-	-	-
Total transactions with owners of the Company	252	(252)	-	-	-	-	-
At 30 June 2019	232,216	538,813	41,934	61,821	844,177	1,909,765	3,628,726

¹ Non-distributable retained earnings comprise of non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

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

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the period ended 30 June 2019 - unaudited**

	Six months ended 30 June 2019 RM'000	Six months ended 30 June 2018 RM'000
Cash flows from operating activities		
Profit before tax	328,955	243,471
<i>Adjustments for:</i>		
Investment income	(332,066)	(307,951)
Interest income	(312)	(319)
Interest expense	923	115
Realised losses/(gains) recorded in profit or loss	20,882	(38,813)
Fair value (gains)/losses on financial assets recorded in profit or loss	(327,214)	249,249
Purchases of financial assets	(1,715,593)	(1,255,264)
Maturity of financial assets	422,000	271,988
Proceeds from sale of financial assets	674,586	461,176
Change in loans and receivables	(188,727)	(9,031)
Unrealised foreign exchange (gains)/losses	(337)	1,053
Depreciation of property, plant and equipment	6,871	7,547
Depreciation of right-of-use assets	9,286	-
Amortisation of intangible assets	9,259	7,840
(Gain)/Loss on disposal of property, plant and equipment	(4)	7
Impairment loss on AFS financial assets	3,275	40,587
Property, plant and equipment written off	935	31
Insurance and other receivables:		
- Allowance for impairment loss	8,231	2,448
- Bad debts recovered	(38)	(47)
- Bad debts written off	-	106
Changes in working capital:		
Change in reinsurance assets	1,013	32,741
Change in insurance receivables	(123,874)	(45,066)
Change in other receivables, deposits and prepayments	(42,113)	(47,614)
Change in insurance contract liabilities	855,327	190,555
Change in deferred acquisition costs	(4,304)	(1,133)
Change in insurance payables	(24,538)	3,416
Change in other payables and accruals	176,489	27,079
Cash used in operations	(241,088)	(165,829)

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the period ended 30 June 2019 - unaudited (continued)**

	Six months ended 30 June 2019 RM'000	Six months ended 30 June 2018 RM'000
Cash flows from operating activities (continued)		
Dividends received	35,819	29,549
Interest income received	306,226	276,686
Interest paid	(923)	-
Tax paid	(54,388)	(47,898)
Net cash from operating activities	45,646	92,508
Investing activities		
Proceeds from disposal of property, plant and equipment	83	13
Acquisition of property, plant and equipment	(7,874)	(6,456)
Acquisition of intangible assets	(4,808)	(6,975)
Proceeds from disposal of intangible assets	6,394	-
Net cash used in investing activities	(6,205)	(13,418)
Financing activities		
Dividends paid	(152,044)	(45,664)
Interest paid	-	(1,192)
Repayment of advance to holding company	-	(54,300)
Repayment of lease liabilities	(8,294)	-
Net cash used in financing activities	(160,338)	(101,156)
Net decrease in cash and cash equivalents	(120,897)	(22,066)
Cash and cash equivalents at 1 January	1,239,635	934,537
Cash and cash equivalents at 30 June	1,118,738	912,471
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,027,045	823,960
Cash and bank balances	91,693	88,511
	1,118,738	912,471

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

Part A: Explanatory notes to the condensed consolidated financial statements**1. Basis of preparation**

These condensed consolidated quarterly financial statements ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the financial period ended 30 June 2019 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting; and
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2018.

2. Statement of compliance

The accounting policies and presentation adopted by the Group for the Report are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments in Associates and Joint Ventures – Long-term Interests</i>	1 January 2019
<i>in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits – Plan Amendment, Curtailment or Settlement</i>	1 January 2019

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group adopted MFRS 16 using the modified retrospective approach and measured the right-of-use assets equals to the lease liabilities as at 1 January 2019 with no restatement of comparative information. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 January 2019.

The group has applied the following practical expedients permitted by MFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

IFRS 16, Leases (continued)

The adoption of IFRS 16, Leases has resulted in changes in the Group's accounting policies. The effects arising from these changes on the statement of financial position of the Group are as follow:

	31 December 2018 RM'000	Effects on adoption of IFRS 16 RM'000	1 January 2019 RM'000
Assets			
Property, plant and equipment	113,528	(19,338)	94,190
Right of use assets	-	84,399	84,399
Liabilities			
Lease liabilities	-	65,061	65,061

IFRS 9, Financial Instruments

IFRS 9 replaces the guidance in IFRS 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 IFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group has applied the temporary exemption under Amendments to IFRS 4 - Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts* which enables eligible entities to defer the implementation date of IFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence, the Group has not adopted IFRS 9 for the financial year beginning on or after 1 January 2018.

Amendments to IFRS 4 - Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contract

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

The amendments provide 2 different approaches for the Group:

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

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 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 IFRS 9.

An entity can apply the temporary exemption from IFRS 9 from annual periods beginning on or after 1 January 2018 and may start applying the overlay approach when it applies IFRS 9 for the first time.

The Group's business activity is predominantly insurance as the liabilities connected with the Group's insurance businesses made up of more than 90% of the Group's total liabilities. Hence, the Group qualifies for the temporary exemption from applying IFRS 9 and will defer and adopt IFRS 9 together with IFRS 17 for the financial year beginning on or after 1 January 2021.

Part A: Explanatory notes to the condensed consolidated financial statements
2. Statement of compliance (continued)
Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contract* (continued)

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Group'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"):

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 30 June 2019			
Investments	6,736,953	8,762,326	15,499,279
Malaysian government securities and government guaranteed bonds	4,480,879	3,017,306	7,498,185
Unquoted bonds of corporations	1,518,613	3,311,698	4,830,311
Quoted equity securities and unit trusts	-	1,792,857	1,792,857
Unquoted equity securities and unit trusts	-	546,707	546,707
Negotiable certificates of deposits and structured deposits	20,845	93,758	114,603
Government guaranteed loans	190,480	-	190,480
Fixed and call deposits with licensed banks	526,136	-	526,136
Derivative financial assets	-	53,118	53,118
Other receivables and deposits	172,473	-	172,473
Cash and cash equivalents	1,118,738	-	1,118,738
	<u>8,028,164</u>	<u>8,815,444</u>	<u>16,843,608</u>
	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the period			
Investments			
Malaysian government securities and government guaranteed bonds	179,641	131,239	310,880
Unquoted bonds of corporations	22,974	85,873	108,847
Quoted equity securities and unit trusts	-	126,082	126,082
Unquoted equity securities and unit trusts	-	1,690	1,690
Negotiable certificates of deposits and structured deposits	(37)	232	195
Government guaranteed loans	-	-	-
Mortgage loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	27,242	27,242
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
	<u>202,578</u>	<u>372,358</u>	<u>574,936</u>

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans and deferred acquisition cost have been excluded from the above assessment as they will be under the scope of MFRS 17, *Insurance Contracts*. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

ALLIANZ MALAYSIA BERHAD (12428-W)

Part A: Explanatory notes to the condensed consolidated financial statements

2. Statement of compliance (continued)

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

Financial assets with SPPI cash flows*

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Total RM'000
Gross carrying amounts under MFRS 139 by credit risk rating grades								
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	4,480,879	-	4,480,879
Unquoted bonds of corporations	919,808	574,773	20,283	11,097	-	-	-	1,525,961
Negotiable certificates of deposits and structured deposits	20,845	-	-	-	-	-	-	20,845
Government guaranteed loans	-	-	-	-	-	190,480	-	190,480
Mortgage loans	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	211,176	187,457	-	-	-	-	127,503	526,136
Other receivables and deposits	-	-	-	-	-	172,471	2	172,473
Cash and cash equivalents	501,507	463,423	-	-	-	164	153,644	1,118,738
	<u>1,653,336</u>	<u>1,225,653</u>	<u>20,283</u>	<u>11,097</u>	<u>-</u>	<u>4,843,994</u>	<u>281,149</u>	<u>8,035,512</u>

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Group for the first time for the financial year beginning on 1 January 2019 did not have any material impact on the current and/or prior periods.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

3. Items of an unusual nature

The results of the Group 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 material changes in the basis used for accounting estimates for the financial period ended 30 June 2019.

5. Seasonal or cyclical factors

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

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses, if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the financial year ended 31 December 2018.

7. Changes in group composition

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

8. Capital commitments

As at 30 June 2019

RM'000

Property, plant and equipment:

Contracted but not provided for

1,354

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Six months ended	
	30 June	
	2019	2018
	RM'000	RM'000
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(108,971)	(112,229)

* Related companies are companies within the Allianz SE Group.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

10. 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's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") 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 AGIC pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia's ("BNM") directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

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

On 5 April and 25 April 2017, AGIC submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. AGIC's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard AGIC's Oral Representation, AGIC's solicitors had requested MyCC to hold *de novo* (new) proceedings in relation to the AGIC's Oral Representation before the new Members of Commission. AGIC's Oral Representation sessions which took place on 19 and 20 February 2019 have concluded. PIAM had commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel representing 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation by PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel were heard over 17 and 18 June 2019. No indication was given as to the timeline of the delivery of the decision.

The Proposed Decision is not final as at the date of this report, and AGIC in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

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

11. Debt and equity securities

Save for the issuance of 79,150 ordinary shares pursuant to the conversion of the ICPS, there were no other issuances of shares, shares buy-backs and repayment of debt and equity securities by the Group during the financial period under review.

12. Subsequent event

There were no significant events subsequent to the end of the financial period under review that have not been reported in the Report.

13. Dividend paid

A single tier interim dividend of 40.00 sen per ordinary share and a single tier interim dividend of 48.0 sen per ICPS for the financial year ended 31 December 2018 were paid on 15 February 2019 to the entitled ordinary shareholders and ICPS holders of the Company respectively.

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

14. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Principal activities
Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance and investment-linked business

Information about reportable segments

For the period ended 30 June 2019 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment operating revenue	6,895	6,788	1,153,382	1,178,559	1,550,033	1,392,831	2,710,310	2,578,178
Inter-segment operating revenue	(1,212)	(1,212)	(300)	-	(60)	-	(1,572)	(1,212)
Segment results	(5,892)	(3,885)	177,247	165,356	157,600	82,000	328,955	243,471
Segment assets	406,377	402,787	6,396,572	6,061,797	12,026,187	10,314,014	18,829,136	16,778,598
Segment liabilities	21,183	31,674	3,999,981	3,811,915	11,179,246	9,637,525	15,200,410	13,481,114

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results

Table 1: Financial review for current quarter and financial period to date

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Six months ended		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
	30 June				30 June			
Operating revenue	1,366.0	1,306.8	59.2	4.5%	2,710.3	2,578.2	132.1	5.1%
Profit before tax	177.7	115.8	61.9	53.5%	329.0	243.5	85.5	35.1%
Profit after tax	117.7	89.9	27.8	30.9%	216.6	177.1	39.5	22.3%
Profit for the period attributable to owners of the Company	117.7	89.9	27.8	30.9%	216.6	177.1	39.5	22.3%

RM'million	Individual Period				Cumulative period			
	Three months ended		Changes		Six months ended		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
	30 June				30 June			
Operating Revenue by segments								
General insurance	582.1	583.8	(1.7)	(0.3%)	1,153.4	1,178.6	(25.2)	(2.1%)
Gross earned premiums	535.6	539.0	(3.4)	(0.6%)	1,061.1	1,090.0	(28.9)	(2.7%)
Investment income	46.5	44.8	1.7	3.8%	92.3	88.6	3.7	4.2%
Life insurance	780.7	719.7	61.0	8.5%	1,550.0	1,392.8	157.2	11.3%
Gross earned premiums	659.2	608.2	51.0	8.4%	1,317.1	1,180.2	136.9	11.6%
Investment income	121.5	111.5	10.0	9.0%	232.9	212.6	20.3	9.5%
Investment holding								
Investment income	3.2	3.3	(0.1)	(3.0%)	6.9	6.8	0.1	1.5%
Total Operating Revenue	1,366.0	1,306.8	59.2	4.5%	2,710.3	2,578.2	132.1	5.1%

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results (continued)

1.1 Operating revenue of the current year quarter against preceding year corresponding quarter (Second Quarter 2019 versus Second Quarter 2018)

For the second quarter ended 30 June 2019, the Group recorded an operating revenue of RM1.37 billion, an increase of 4.5% or RM59.2 million as compared to the preceding year quarter ended 30 June 2018 of RM1.31 billion due mainly to higher gross earned premiums and investment income by RM47.6 million and RM11.6 million respectively.

For the quarter under review, the general insurance segment recorded an operating revenue of RM582.1 million, a decrease of 0.3% or RM1.7 million as compared to the preceding year quarter ended 30 June 2018 of RM583.8 million due to decrease in gross earned premiums by RM3.4 million and offset by increase in investment income by RM1.7 million.

The decrease in gross earned premiums of the general insurance segment was attributable to lower premiums from fire business.

For the quarter under review, the life insurance segment registered an operating revenue of RM780.7 million, an increase of 8.5% or RM61.0 million as compared to the preceding year quarter ended 30 June 2018 of RM719.7 million due to increase in gross earned premiums and investment income by RM51.0 million and RM10.0 million respectively.

The increase in gross earned premiums of the life insurance segment was mainly contributed by higher premiums from agency and employee benefits channels.

1.2 Operating revenue of the current year-to-date (YTD) against preceding YTD

The Group recorded an operating revenue of RM2.71 billion for the financial period ended 30 June 2019, an increase of 5.1% or RM132.1 million as compared to the preceding financial period ended 30 June 2018 of RM2.58 billion due mainly to higher gross earned premiums and investment income by RM108.0 million and RM24.1 million respectively.

The general insurance segment recorded an operating revenue of RM1.15 billion for the financial period ended 30 June 2019, a decrease of 2.1% or RM25.2 million as compared to the preceding financial period ended 30 June 2018 of RM1.18 billion due mainly to decrease in gross earned premiums by RM28.9 million and offset by increase in investment income by RM3.7 million.

The decrease in gross earned premiums of the general insurance segment was attributable to lower premiums from fire business. The increase in investment income was due mainly to higher investment asset base.

The life insurance segment recorded an operating revenue of RM1.55 billion for the financial period ended 30 June 2019, an increase of 11.3% or RM157.2 million as compared to the preceding financial period ended 30 June 2018 of RM1.39 billion due to increase in gross earned premiums and investment income by RM136.9 million and RM20.3 million respectively.

The increase in gross earned premiums of the life insurance segment was mainly contributed by growth in agency, bancassurance and employee benefits channels.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results (continued)

Table 1: Financial review for current quarter and financial period to date (continued)

RM'million	Individual Period Three months ended 30 June		Changes		Cumulative period Six months ended 30 June		Changes	
	2019	2018	Amount	%	2019	2018	Amount	%
Profit Before Tax by segments								
General insurance	91.5	77.1	14.4	18.7%	177.2	165.4	11.8	7.1%
Life Insurance	88.8	40.5	48.3	119.3%	157.6	82.0	75.6	92.2%
Investment holding	(2.6)	(1.8)	(0.8)	44.4%	(5.8)	(3.9)	(1.9)	48.7%
Total Profit before tax	177.7	115.8	61.9	53.5%	329.0	243.5	85.5	35.1%
General Insurance								
Commission ratio	12.0%	12.1%	N/A	0.1 pts	12.1%	12.5%	N/A	0.4 pts
Claims ratio	61.1%	62.9%	N/A	1.8 pts	59.9%	62.0%	N/A	2.1 pts
Expense ratio	17.2%	17.9%	N/A	0.7 pts	18.8%	17.3%	N/A	(1.5 pts)
Combined ratio	90.3%	92.9%	N/A	2.6 pts	90.8%	91.8%	N/A	1.0 pts
Life Insurance								
Annualised new premium ("ANP")	167.8	140.3	27.5	19.6%	285.3	248.7	36.6	14.7%
Expense ratio	9.8%	10.9%	N/A	1.1 pts	10.3%	11.3%	N/A	1.0 pts
Lapse ratio	11.1%	14.6%	N/A	3.5 pts	11.1%	14.6%	N/A	3.5 pts

pts - percentage points

N/A - Not Applicable

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results (continued)

1.3 Profit before tax of the current year quarter against preceding year corresponding quarter (Second Quarter 2019 versus Second Quarter 2018)

For the second quarter ended 30 June 2019, the Group recorded a profit before tax of RM177.7 million, an increase of 53.5% or RM61.9 million as compared to the preceding year quarter ended 30 June 2018 of RM115.8 million.

For the quarter under review, the general insurance segment recorded a profit before tax of RM91.5 million, an increase of 18.7% or RM14.4 million as compared to a profit before tax of the preceding year quarter ended 30 June 2018 of RM77.1 million. The higher profit before tax was due mainly to lower claims and lower management expenses.

For the quarter under review, the life insurance segment recorded a higher profit before tax of RM88.8 million, an increase of 119.3% or RM48.3 million as compared to a profit before tax of the preceding year quarter ended 30 June 2018 of RM40.5 million due mainly to fair value gain arising from change in interest rate.

For the quarter under review, the investment holding segment registered a loss before tax of RM2.6 million as compared to a loss before tax of the preceding year quarter ended 30 June 2018 of RM1.8 million due mainly to higher management expenses in the current quarter.

1.4 Profit before tax of the current year-to-date (YTD) against preceding YTD

The Group recorded a profit before tax of RM329.0 million for the six months ended 30 June 2019, an increase of 35.1% or RM85.5 million as compared to the preceding six months ended 30 June 2018 of RM243.5 million due mainly to higher profit contribution from life insurance segment.

The general insurance segment delivered a profit before tax of RM177.2 million for the six months ended 30 June 2019, an increase of 7.1% or RM11.8 million as compared to the preceding six months ended 30 June 2018 of RM165.4 million. The increase in profit was due mainly to higher underwriting profit as a result of lower motor claims.

The life insurance segment recorded a higher profit before tax of RM 157.6 million for the six months ended 30 June 2019, an increase of 92.2% or RM75.6 million as compared to the preceding six months ended 30 June 2018 of RM82.0 million due mainly to fair value gain arising from change in interest rate.

The investment holding segment registered a loss before tax of RM5.8 million for the six months ended 30 June 2019 as compared to loss before tax of RM3.9 million for the preceding six months ended 30 June 2018 due mainly to higher management expenses for the financial period under review.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results (continued)

Table 2: Financial review for current quarter as compared with immediate preceding quarter

RM'million	Current Year	Immediate	Changes	
	Quarter 30 June 2019	Preceding Quarter 31 March 2019	Amount	%
Operating revenue	1,366.0	1,344.3	21.7	1.6%
Profit before tax	177.7	151.2	26.5	17.5%
Profit after tax	117.7	98.9	18.8	19.0%
Profit for the period attributable to owners of the Company	117.7	98.9	18.8	19.0%

1.5 Operating revenue of the current quarter against the preceding quarter (Second Quarter 2019 versus First Quarter 2019)

The Group recorded an operating revenue of RM1.37 billion for the quarter under review, an increase of 1.6% or RM21.7 million as compared to the preceding quarter ended 31 March 2019 of RM1.34 billion.

The general insurance segment recorded an operating revenue of RM582.1 million for the quarter under review, a increase of 1.8% or RM10.7 million as compared to the preceding quarter ended 31 March 2019 of RM571.4 million due mainly to higher gross earned premiums in the current quarter.

The life insurance segment registered an operating revenue of RM780.7 million for the quarter under review, an increase of 1.5% or RM11.5 million as compared to the preceding quarter ended 31 March 2019 of RM769.2 million due mainly to higher investment income in the current quarter.

1.6 Profit before tax of the current quarter against the preceding quarter (Second Quarter 2019 versus First Quarter 2019)

The Group recorded a profit before tax of RM177.7 million for the quarter under review, an increase of 17.5% or RM26.5 million as compared to the preceding quarter ended 31 March 2019 of RM151.2 million due mainly to higher profit contribution from both insurance segments.

The profit before tax of general insurance segment for the quarter under review of RM91.7 million, an increase of 6.6% or RM6.1 million as compared to the preceding quarter ended 31 March 2019 of RM85.6 million. The higher profit before tax was due mainly to better underwriting profit as a result of lower management expenses.

The profit before tax of life insurance segment for the quarter under review of RM88.4 million, an increase of 28.3% or RM19.5 million as compared to the preceding quarter ended 31 March 2019 of RM68.9 million due mainly to higher fair value gain arising from change in interest rate.

The investment holding segment registered a loss before tax of RM2.5 million as compared to a loss before tax of RM3.3 million in the preceding quarter ended 31 March 2019 due to lower management expenses in the current quarter.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results (continued)

1.7 Review of other comprehensive income

Table 3: Other comprehensive income for current quarter and financial period to date

RM'million	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
	2019	2018	2019	2018
Other comprehensive income/(loss), net of tax				
Items that are or may be reclassified subsequently to profit or loss				
Fair value of available-for-sale ("AFS") financial assets				
- Net gains arising during the year	129.7	(115.5)	232.8	(109.7)
- Net realised gain transferred to income statement	(28.3)	(9.1)	(3.0)	(23.0)
Gains on cash flow hedge	8.1	(2.1)	17.8	(0.5)
Tax effects thereon	(14.2)	12.8	(30.4)	13.8
Change in insurance contract liabilities arising from net fair value change on:				
- AFS financial assets	(67.2)	107.7	(163.5)	112.9
- Cash flow hedge reserve	(8.1)	2.1	(17.8)	0.5
Tax effects thereon	6.0	(8.8)	14.5	(9.1)
Total other comprehensive income/(loss) for the year, net of tax	26.0	(12.9)	50.4	(15.1)

The Group recorded a total other comprehensive income of RM50.4 million for the six months ended 30 June 2019, an increase of RM65.5 million as compared to the total other comprehensive loss of the preceding six months ended 30 June 2018 of RM15.1 million due to fair value gains from AFS financial assets, mainly from the general insurance segment for the financial period under review.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities

1. Review of results (continued)

1.8 Review of Statements of Financial Position

Table 4: Review of assets and liabilities

RM'million	As at	As at	Changes	
	30 June 2019	31 December 2018	Amount	%
Total assets	18,829.1	17,404.6	1,424.5	8.2%
Total liabilities	15,200.4	14,042.9	1,157.5	8.2%
Total equity	3,628.7	3,361.7	267.0	7.9%

Total assets

As at 30 June 2019, the Group's total assets increased by RM1.42 billion to RM18.83 billion from RM17.40 billion as at 31 December 2018, mainly attributable to increase in financial investments for the financial period under review. The increase was in line with the Group's business growth.

Total liabilities

As at 30 June 2019, the Group's total liabilities increased by RM1.16 billion to RM15.20 billion from RM14.04 billion as at 31 December 2018 due mainly to increase in insurance contract liabilities from both insurance segments. The increase in insurance contract liabilities was in line with the Group's business growth.

Total equity

The Group's total equity as at 30 June 2019 increased by 7.9% or RM267.0 million to RM3.63 billion from RM3.36 billion in 2018. This is mainly attributable to the net profit generated for the period ended 30 June 2019.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

2. Current year prospect

The Malaysian economy registered a Gross Domestic Product (“GDP”) growth of 4.9% in the second quarter of 2019 mainly driven by domestic demand, particularly private consumption.

The general insurance industry reported a decline in Gross Written Premium by -1.7% for the first half of 2019 mainly from decline in non-motor business. Against the backdrop of a challenging domestic environment, the general insurance segment remains focused on optimising business margins by shifting into profitable business segments, executing technical excellence in claims management, enhancing operational efficiency and prioritising customer needs.

The life insurance industry reported a growth of 16.0% in Annualised New Premium for the first half of 2019 mainly driven by the launch of marketing campaigns by some major players. However, we anticipate the remaining year of 2019 will soften amidst the ongoing liberalisation of the industry. The life insurance segment will continue its growth momentum by enhancing its distribution capabilities and product portfolio. It will also remain focused on digital initiatives to increase efficiency and productivity of its agency force to service customers.

The Group will remain focused on delivering satisfactory results to its shareholders in 2019.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of the Report.

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	148,376	139,486	293,577	272,180
Dividend income	21,714	17,284	35,819	29,549
Accretion of discounts	1,128	2,331	3,902	4,891
Amortisation of premiums	(1,349)	(1,134)	(4,007)	(2,040)
Other income	1,347	1,626	2,775	3,371
	171,216	159,593	332,066	307,951

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	4	-	4	-
Realised losses on disposal	-	(7)	-	(7)
Total net realised gains/(losses) for property, plant and equipment	4	(7)	4	(7)
Financial assets				
Realised gains on disposal:				
Malaysian government securities	2,440	-	5,966	-
Malaysian government guaranteed bonds	3	-	1,002	-
Quoted equity securities of corporations in Malaysia	4,716	30,237	11,974	73,782
Quoted equity securities of corporations outside Malaysia	755	395	817	738
Quoted unit trusts in Malaysia	-	-	367	-
Unquoted unit trusts in Malaysia	-	-	350	-
Unquoted unit trusts outside Malaysia	46	-	25	-
Unquoted bonds of corporations in Malaysia	1,266	108	1,266	108
Realised losses on disposal:				
Malaysian government securities	-	-	(3)	-
Quoted equity securities of corporations in Malaysia	(1,870)	(33,410)	(42,210)	(35,528)
Quoted equity securities of corporations outside Malaysia	(281)	(215)	(313)	(256)
Unquoted unit trusts outside Malaysia	(88)	(19)	(123)	(31)
Total net realised gains/(losses) for financial assets	6,987	(2,904)	(20,882)	38,813
Total net realised gains/(losses)	6,991	(2,911)	(20,878)	38,806

6. Fair value gains and losses

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial instruments				
Held for trading financial assets	77,270	(220,963)	224,863	(231,678)
Designated upon initial recognition financial assets	49,271	(18,032)	92,922	(22,055)
Derivatives financial assets	4,692	(319)	9,429	4,484
Total fair value gains/(losses) on financial instruments at Fair Value Through Profit or Loss	131,233	(239,314)	327,214	(249,249)
Impairment loss on AFS financial investments	(2,854)	(26,575)	(3,275)	(40,587)
Total net fair value gains/(losses)	128,379	(265,889)	323,939	(289,836)

The gains or losses arising from fair value changes of derivative financial assets are based on the indicative market prices from the issuing banks.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)
7. Profit before tax

Profit before tax for the financial period under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,727	4,055	9,259	7,840
Depreciation of property, plant and equipment	3,784	3,922	6,871	7,547
Depreciation of right-of-use assets	4,835	-	9,286	-
Insurance and other receivables:				
- Allowance for impairment loss	(4,418)	777	8,231	2,448
- Bad debts recovered	(30)	243	(38)	(47)
- Bad debts written off	-	106	-	106
Interest expense	294	-	923	115
Interest income	(164)	(150)	(312)	(319)
Property, plant and equipment written off	933	16	935	31
Unrealised foreign exchange (gains)/ losses	(295)	(35)	(337)	1,053

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 June 2019.

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	177,715	115,841	328,955	243,471
Tax expense				
Income tax	26,694	26,303	58,027	61,436
Deferred tax	33,354	(332)	54,344	4,933
Total tax expense	60,048	25,971	112,371	66,369
Effective tax rate	34%	22%	34%	27%

The Group's consolidated effective tax rate for the financial year under review is higher than the statutory tax rate of 24% (2018: 24%) due mainly to the following:

- In addition to the 24% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

9. Status of corporate proposal announced/implemented

As at the date of the Report, there are no corporate proposals announced by the Group.

10. Borrowings and debts securities

The Group has no outstanding borrowings and debts securities for the financial period under review.

11. Changes in material litigation

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since been wound up) ("CAB") previously in respect of CAB's Extended Warranty Program ("EWP").

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

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

On 11 December 2013, AGIC 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 AGIC for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The hearing on liability concluded and the Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively. The Oral Submissions took place on 12 October 2017 and 13 October 2017, during which the Tribunal sought some clarification in response to which AGIC's solicitors prepared and filed AGIC's Further Written Submissions. VSC's solicitors then responded with VSC's Further Written Submissions. AGIC's solicitors then prepared and filed AGIC's Rebuttal Submissions to clarify VSC's citation of certain cases.

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

The Award ordered AGIC 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.

AGIC's solicitors are of the view that there are reasonable grounds to seek a review of the majority decision, including to set aside the Award.

On this basis, 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 ("Act") and for a Reference of Questions of law under section 42 of the Act. The Court had fixed the Hearing date on 18 February 2019 and directed parties to file and exchange their respective Written Submissions by 11 February 2019. At the Hearing on 18 February 2019, AGIC's solicitors presented their Oral Submissions and the Hearing continued on 13 March 2019 for VSC's solicitors to present their oral arguments. AGIC's solicitors prepared and filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC then filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. The Court then fixed 29 May 2019 to deliver its Decision but on 28 May 2019, the Court notified parties that it was not yet ready to deliver its Decision and rescheduled the delivery of its Decision to 28 June 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award. AGIC's solicitors had on 15 July 2019 filed a Notice of Appeal to the Court of Appeal against the Decision. The first case management is fixed for 4 September 2019.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders adjusted for preference dividends by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
Profit attributable to ordinary shareholders	(RM'000)	117,667	89,870	216,584	177,102
Weighted average number of ordinary shares in issue	('000)	176,747	174,954	176,747	175,539
Basic earnings per ordinary share	(sen)	66.57	51.37	122.54	100.89

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
Profit attributable to ordinary shareholders	(RM'000)	117,667	89,870	216,584	177,102
Weighted average number of ordinary shares in issue	('000)	176,747	174,954	176,747	175,539
Effect of conversion of ICPS	('000)	169,439	169,547	169,439	169,547
Diluted weighted average number of ordinary shares during the period	('000)	346,186	344,501	346,186	345,086
Diluted earnings per ordinary share	(sen)	33.99	26.09	62.56	51.32

13. Dividend

No dividend has been proposed or declared for the second quarter of 2019 (2018: Nil).

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

14. Derivatives Financial Instruments

(i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

As at 30 June 2019	Nominal value				Assets				Liabilities			
	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000	< 1 year RM'000	1 - 3 years RM'000	>3 years RM'000	Total RM'000
Derivatives held for trading at fair value through profit or loss												
Collateralised interest rate swap	-	-	400,000	400,000	-	-	32,130	32,130	-	-	-	-
Cross currency swap	-	21,010	98,740	119,750	-	593	2,581	3,174	-	-	2,082	2,082
Derivatives used for hedging												
Forward purchase agreements	90,000	100,000	-	190,000	7,524	10,290	-	17,814	-	-	-	-
Total	90,000	121,010	498,740	709,750	7,524	10,883	34,711	53,118	-	-	2,082	2,082
As at 31 December 2018												
Derivatives held for trading at fair value through profit or loss												
Collateralised interest rate swap	-	-	400,000	400,000	-	-	19,481	19,481	-	-	-	-
Cross currency swap	-	21,010	98,740	119,750	-	949	4,033	4,982	-	-	819	819
Derivatives used for hedging												
Forward purchase agreements	30,000	100,000	60,000	190,000	182	-	1,414	1,596	121	1,473	-	1,594
Total	30,000	121,010	558,740	709,750	182	949	24,928	26,059	121	1,473	819	2,413

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

14. Derivatives Financial Instruments (continued)

As at 30 June 2019, the Group has positions in the following types of derivative financial instruments:

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted over-the-counter market.

(ii) The Group's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

The Group takes positions in derivatives for hedging purposes based on certain assumptions, analysis, outlook and other factors into consideration to conclude how an investment will likely perform in future. Risk of losses or opportunity cost occurs when market parameters moves in different directions from positions taken.

Credit Risk

Credit risk is the risk of a financial loss if the counterparties to the derivative financial instruments fail to meet its contractual obligations. As at the reporting date, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM53,118,000 (2018: RM26,059,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices. The credit risk exposure will be partly mitigated by collateral posting.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

(iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post or receive cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour. As at the reporting date, the Group had received cash collateral of RM41,077,000 (2018: RM20,864,000) on the derivative contracts.

(iv) There have been no changes since the end of the previous financial period in respect of the following:

- the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

15. Insurance receivables

Additional Disclosure Information

The Group has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Total RM'000
30 June 2019					
Insurance receivables	5,051	5,857	4,523	22,601	38,032
31 December 2018					
Insurance receivables	7,004	11,150	2,190	10,577	30,921

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

15. Insurance receivables (continued)

Additional Disclosure Information (continued)

(ii) Past-due and impaired financial assets

As at 30 June 2019, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM67,776,000 (2018: RM59,704,000), reinsurance assets of RM2,615,000 (2018: 2,615,000) and other receivables of RM1,630,000 (2018: RM1,471,000) respectively. No collateral is held as security for any past-due or impaired financial assets. The Group records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses for the aforesaid insurance receivables and other receivables are as follows:

	Insurance receivables		Reinsurance assets		Other receivables	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	59,704	59,166	2,615	-	1,471	2,022
Impairment loss recognised	8,072	2,373	-	2,615	159	694
Written off during the year	-	(1,835)	-	-	-	(1,245)
At 31 December	67,776	59,704	2,615	2,615	1,630	1,471

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

16. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2018 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
22 August 2019