

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD (102249-P)
(A Member of Great Eastern Holdings Limited)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

Interim Condensed Financial Statements for Six Months Period Ended 30 June 2019

| CONTENTS | PAGE |
|---|-------------|
| Condensed Balance Sheet | 1 |
| Condensed Income Statement | 2 |
| Condensed Statement of Comprehensive Income | 3 |
| Condensed Statement of Changes in Equity | 4 |
| Condensed Cash Flow Statement | 5 |
| Notes to the Interim Condensed Financial Statements | 6-19 |

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CONDENSED BALANCE SHEET
AS AT 30 JUNE 2019

| | Note | 30.06.2019 RM | 31.12.2018 RM |
|-------------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Goodwill | | 18,182,598 | 18,182,598 |
| Property and equipment | | 18,496,011 | 18,766,635 |
| Right-of-use assets | | 3,294,625 | - |
| Investments | 9 | 697,790,212 | 691,273,922 |
| Reinsurance assets | 10 | 203,332,501 | 191,886,705 |
| Insurance receivables | | 89,420,602 | 82,181,969 |
| Deferred tax assets | | - | 126,303 |
| Other receivables | | 70,282,983 | 70,316,641 |
| Cash and bank balances | | 18,360,768 | 16,530,200 |
| Total assets | | <u>1,119,160,300</u> | <u>1,089,264,973</u> |
| Equity | | | |
| Share capital | | 100,000,000 | 100,000,000 |
| Retained earnings | | 327,745,152 | 325,336,414 |
| Fair value reserves | | 8,104,339 | 965,601 |
| Total equity | | <u>435,849,491</u> | <u>426,302,015</u> |
| Liabilities | | | |
| Insurance contract liabilities | 11 | 582,500,776 | 554,005,143 |
| Lease liabilities | | 3,014,683 | - |
| Deferred tax liabilities | | 805,416 | - |
| Deposits from reinsurers | | 1,006,982 | 1,071,180 |
| Insurance payables | | 50,035,553 | 59,701,784 |
| Provision for taxation | | 9,053,196 | 6,922,697 |
| Other payables | | 36,894,203 | 41,262,154 |
| Total liabilities | | <u>683,310,809</u> | <u>662,962,958</u> |
| Total equity and liabilities | | <u>1,119,160,300</u> | <u>1,089,264,973</u> |

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

| | Note | 6 months period ended 30.06.2019 RM | 6 months period ended 30.06.2018 RM |
|--|------|--|--|
| Gross earned premiums | | 257,834,367 | 239,054,793 |
| Premiums ceded to reinsurers | | (74,451,602) | (76,717,918) |
| Net earned premiums | | <u>183,382,765</u> | <u>162,336,875</u> |
| Investment income | | 15,468,660 | 14,966,404 |
| Realised gains | | 1,059,147 | 3,515,951 |
| Fair value gains/(losses) | | 3,493,366 | (769,096) |
| Changes in allowance for ECL on investment assets | | 103,807 | 1,069,870 |
| Fee and commission income | | 17,376,916 | 16,968,016 |
| Other operating revenue | | 1,870,183 | 1,595,412 |
| Other revenue | | <u>39,372,079</u> | <u>37,346,557</u> |
| Gross claims paid | | (116,338,561) | (143,204,353) |
| Claims ceded to reinsurers | | 26,450,497 | 55,807,989 |
| Gross change in contract liabilities | | (15,134,911) | 29,536,897 |
| Change in contract liabilities ceded to reinsurers | | 12,888,787 | (25,811,511) |
| Net claims | | <u>(92,134,188)</u> | <u>(83,670,978)</u> |
| Fee and commission expense | | (38,411,213) | (36,055,549) |
| Management expenses | | (49,070,453) | (45,745,073) |
| Finance cost | | (68,566) | - |
| Other expenses | | <u>(87,550,232)</u> | <u>(81,800,622)</u> |
| Profit before taxation | | 43,070,424 | 34,211,832 |
| Taxation | 12 | (7,452,227) | (7,450,795) |
| Net profit for the period | | <u>35,618,197</u> | <u>26,761,037</u> |
| Earnings per share (sen) | | | |
| Basic and diluted | 13 | <u>35.62</u> | <u>26.76</u> |

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

| | 6 months period ended 30.06.2019 RM | 6 months period ended 30.06.2018 RM |
|--|--|--|
| Net profit for the period | 35,618,197 | 26,761,037 |
| Other comprehensive income: | | |
| <u>Items that may be reclassified to income statement in subsequent periods:</u> | | |
| Fair value through other comprehensive income reserves: | | |
| Net gains/(losses) on fair value changes | 10,294,412 | (13,884,326) |
| Realised (gains)/losses transferred to income statement | (1,059,147) | 3,510,641 |
| Reclassification from FVOCI reserves to retained earnings arising from realised losses/(gains) on disposal of FVOCI equities | 275,606 | (144,613) |
| Changes in allowance for ECL | (117,796) | (1,079,858) |
| | 9,393,075 | (11,598,157) |
| Tax effect | (2,254,337) | 2,783,558 |
| | <u>7,138,738</u> | <u>(8,814,599)</u> |
| Total comprehensive income for the period | <u><u>42,756,935</u></u> | <u><u>17,946,438</u></u> |

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

| | Non-Distributable | Distributable | | |
|--|--------------------------|---|--------------------------|---------------------|
| | Share capital | Fair value through other comprehensive income reserves | Retained earnings | Total equity |
| | RM | RM | RM | RM |
| At 1 January 2018 | 100,000,000 | 6,042,600 | 313,114,781 | 419,157,381 |
| Impact of adopting MFRS 9 | - | 1,353,087 | (1,375,009) | (21,922) |
| Restated opening balance under MFRS 9 | 100,000,000 | 7,395,687 | 311,739,772 | 419,135,459 |
| Total comprehensive income for the period | - | (8,704,693) | 26,761,037 | 18,056,344 |
| Reclassification from FVOCI reserves to retained earnings arising from realised gains on disposal of FVOCI equities | - | (109,906) | 109,906 | - |
| Dividend paid during the period | - | - | (30,000,000) | (30,000,000) |
| At 30 June 2018 | 100,000,000 | (1,418,912) | 308,610,715 | 407,191,803 |
| At 1 January 2019 | 100,000,000 | 965,601 | 325,336,414 | 426,302,015 |
| Total comprehensive income for the period | - | 6,929,279 | 35,618,197 | 42,547,476 |
| Reclassification from FVOCI reserves to retained earnings arising from realised losses on disposal of FVOCI equities | - | 209,459 | (209,459) | - |
| Dividend paid during the period | - | - | (33,000,000) | (33,000,000) |
| At 30 June 2019 | 100,000,000 | 8,104,339 | 327,745,152 | 435,849,491 |

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

CONDENSED CASH FLOW STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2019

| | Note | 6 months ended 30.06.2019 RM | 6 months ended 30.06.2018 RM |
|---|------|---------------------------------------|---------------------------------------|
| Operating activities | | | |
| Cash generated from/(used in) operating activities | 14 | 11,403,313 | (57,846,266) |
| Dividend income received | | 2,751,631 | 1,812,203 |
| Interest income received | | 13,696,008 | 12,320,843 |
| Income tax paid | | (6,578,200) | (3,825,587) |
| Net cash flows generated from/(used in) operating activities | | <u>21,272,752</u> | <u>(47,538,807)</u> |
| Investing activities | | | |
| Purchase of equipment | | (1,611,119) | (1,718,051) |
| Net cash flows used in investing activities | | <u>(1,611,119)</u> | <u>(1,718,051)</u> |
| Financing activity | | | |
| Payment of lease liabilities | | (931,065) | - |
| Dividend paid | | (33,000,000) | (30,000,000) |
| Net cash flows used in financing activity | | <u>(33,931,065)</u> | <u>(30,000,000)</u> |
| Net decrease in cash and cash equivalents | | (14,269,432) | (79,256,858) |
| Cash and cash equivalents at beginning of period | | <u>40,730,200</u> | <u>93,007,881</u> |
| Cash and cash equivalents at end of period | | <u>26,460,768</u> | <u>13,751,023</u> |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | | 18,360,768 | 12,251,023 |
| Deposits with licensed financial institutions | 9(a) | 8,100,000 | 1,500,000 |
| | | <u>26,460,768</u> | <u>13,751,023</u> |

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

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS - 30 JUNE 2019

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The interim condensed financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 - Interim Financial Reporting, and International Accounting Standards (“IAS”) 34 - Interim Financial Reporting. The interim condensed 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 2018.

The notes attached to the interim condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial statements of the company since the financial year ended 31 December 2018.

1.2 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The significant accounting policies in these interim condensed financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRS, Amendments and Improvements to MFRSs:

Effective for the financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangement (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)*

The adoption of the above did not have any significant effects on the interim condensed financial statements upon their initial application except as discussed below:

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

New and amended standards and interpretations (cont'd.)

MFRS 16 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration – i.e. the customer has the right to:

- obtain substantially all of the economic benefits from using the asset; and
- direct the use of the asset.

As Lessee

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, any lease payments made or before the commencement date, any indirect costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company generally uses its incremental borrowing rate as the discount rate.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

The Company presents its right-of-use assets in 'Right-of-use assets' and lease liabilities in 'Lease liabilities' in the balance sheet.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

New and amended standards and interpretations (cont'd.)

MFRS 16 Leases (cont'd.)

The Company has adopted MFRS 16 Leases effective for annual periods beginning on or after 1 January 2019. The Company applied the standard from its mandatory adoption date, applying the simplified transition approach and did not restate comparative amounts for the year prior to first adoption. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of MFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.674%.

| | |
|--|------------------|
| | RM |
| Operating lease commitments disclosed as at 31 December 2018 | 4,632,643 |
| Discounted using the lessee's incremental borrowing rate of at the date of initial application | (82,502) |
| (Less): short-term leases recognised on a straight-line basis as expense | (1,707,900) |
| (Less): low-value leases recognised on a straight-line basis as expense | (139,471) |
| Lease liability recognised as at 1 January 2019 | <u>2,702,770</u> |
| Of which are: | |
| Current lease liabilities | 1,730,227 |
| Non-current lease liabilities | 972,543 |
| | <u>2,702,770</u> |

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

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

| | |
|---------------------------|-------------------|
| | 01.01.2019 |
| | RM |
| Other right-of-use assets | 3,069,409 |

**GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)**

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

1.2 CHANGES IN ACCOUNTING POLICIES (CONT'D.)

New and amended standards and interpretations (cont'd.)

MFRS 16 Leases (cont'd.)

Practical expedients applied

In applying MFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying MFRS 117 and IC Int. 4 Determining whether an Arrangement contains a Lease.

**GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)**

2. SEASONALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

3. UNUSUAL ITEMS

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

4. CHANGE IN ESTIMATES

There were no changes in the basis used for accounting estimates for the interim financial period.

5. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Company during the interim financial period.

6. DIVIDENDS

During the interim period ended 30 June 2019, the Company paid a final single-tier dividend of RM0.33 per ordinary shares on 100,000,000 ordinary shares, amounting to RM33,000,000 in respect of the financial year ended 31 December 2018 on 6 May 2019.

7. EVENT SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There is no material event subsequent to the end of the interim reporting period that has not been reported in the interim condensed financial statements.

8. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company during the interim financial period.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

9. INVESTMENTS

| | 30.06.2019 | 31.12.2018 |
|--------------------------------------|--------------------|--------------------|
| | RM | RM |
| Malaysian government securities | 14,958,110 | 71,662,590 |
| Debt securities | 466,221,972 | 493,616,217 |
| Equity securities | 29,464,619 | 27,486,504 |
| Collective investment schemes | 158,071,059 | 53,240,420 |
| Loans | 20,974,452 | 21,068,191 |
| Deposits with financial institutions | 8,100,000 | 24,200,000 |
| | <u>697,790,212</u> | <u>691,273,922</u> |

The Company's investments are summarised by categories as follows:

| | 30.06.2019 | 31.12.2018 |
|------------------------------------|--------------------|--------------------|
| | RM | RM |
| Financial assets at amortised cost | 29,074,452 | 45,268,191 |
| Financial assets at FVOCI | 438,335,340 | 510,242,108 |
| Financial assets at FVTPL | 230,380,420 | 135,763,623 |
| | <u>697,790,212</u> | <u>691,273,922</u> |

The following investments mature after 12 months:

| | 30.06.2019 | 31.12.2018 |
|------------------------------------|--------------------|--------------------|
| | RM | RM |
| Financial assets at amortised cost | 20,872,665 | 21,032,723 |
| Financial assets at FVOCI | 433,342,990 | 453,702,613 |
| Financial assets at FVTPL | 219,173,728 | 135,763,623 |
| | <u>673,389,383</u> | <u>610,498,959</u> |

Included in financial assets measured at FVOCI are quoted equity securities and collective investment schemes of RM29,458,219 (2018: RM27,478,504) and RM158,071,058 (2018: RM53,240,420) respectively with no maturity date.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

9. INVESTMENTS (CONT'D.)

(a) Financial assets measured at amortised cost

| | 30.06.2019 | 31.12.2018 |
|---|-------------------|-------------------|
| | RM | RM |
| Deposits with licensed financial institutions | 8,100,000 | 24,200,000 |
| Mortgage loans | 76,405 | 78,749 |
| Secured loans | 20,002,854 | 20,007,603 |
| Vehicle loans | 895,193 | 981,839 |
| | <u>29,074,452</u> | <u>45,268,191</u> |
| Allowance for ECL | (5,505) | (5,507) |
| | <u>29,068,947</u> | <u>45,262,684</u> |

The carrying value of fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the mortgage loans, secured loans and vehicle loans are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) Financial assets measured at FVOCI

| | 30.06.2019 | 31.12.2018 |
|--------------------------------------|--------------------|--------------------|
| | RM | RM |
| Malaysian government securities | 14,958,110 | 71,662,590 |
| Unquoted debt securities in Malaysia | 393,919,011 | 411,101,014 |
| Quoted equity securities in Malaysia | 29,458,219 | 27,478,504 |
| | <u>438,335,340</u> | <u>510,242,108</u> |

Allowance for ECL has been provided for Malaysian government securities and unquoted debt securities measured at FVOCI amount to RM117,795 (2018: RM2,052,359).

Quoted equities securities measured at FVOCI are not subject to impairment assessment.

(c) Financial assets measured at FVTPL

| | 30.06.2019 | 31.12.2018 |
|--------------------------------------|--------------------|--------------------|
| | RM | RM |
| Unquoted debt securities in Malaysia | 72,302,961 | 82,515,203 |
| Quoted equity securities in Malaysia | 6,400 | 8,000 |
| Collective investment schemes | 158,071,059 | 53,240,420 |
| | <u>230,380,420</u> | <u>135,763,623</u> |

Financial assets measured at FVTPL primarily comprise perpetual debt securities, collective investment schemes ("CIS"), redeemable convertible preference shares ("RCPS") and structured deposits. In accordance with MFRS 9, these have been designated as FVTPL upon initial recognition.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

9. INVESTMENTS (CONT'D.)

(d) Carrying values of investments

| | Amortised Cost RM | FVOCI RM | FVTPL RM | Total RM |
|--|------------------------------|---------------------|---------------------|---------------------|
| At 1 January 2018 | 95,673,147 | 540,831,360 | 25,572,372 | 662,076,879 |
| Impact of adopting MFRS 9 | (4,210) | (102,183,515) | 102,183,515 | (4,210) |
| Restated opening balance under MFRS 9 | 95,668,937 | 438,647,845 | 127,755,887 | 662,072,669 |
| Purchases | 3,236,316,900 | 506,432,754 | 9,077,463 | 3,751,827,117 |
| Maturities/disposals | (3,286,721,030) | (427,710,833) | (1,500,000) | (3,715,931,863) |
| Fair value losses recorded in other comprehensive income | - | (7,051,704) | - | (7,051,704) |
| Fair value gains recorded in income statement | - | - | 430,273 | 430,273 |
| Provision for ECL | (2,349) | - | - | (2,349) |
| Accretion/(amortisation) adjustments | 5,733 | (75,954) | - | (70,221) |
| At 31 December 2018 / At 1 January 2019 | 45,268,191 | 510,242,108 | 135,763,623 | 691,273,922 |
| Purchases | 1,209,966,000 | 173,284,583 | 123,123,431 | 1,506,374,014 |
| Maturities/disposals | (1,226,154,990) | (254,607,260) | (32,000,000) | (1,512,762,250) |
| Fair value gains recorded in other comprehensive income | - | 9,510,871 | - | 9,510,871 |
| Fair value gains recorded in income statement | - | - | 3,493,366 | 3,493,366 |
| Allowance for ECL | 2 | - | - | 2 |
| Amortisation adjustments | (4,751) | (94,962) | - | (99,713) |
| At 30 June 2019 | 29,074,452 | 438,335,340 | 230,380,420 | 697,790,212 |

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

10. REINSURANCE ASSETS

| | 30.06.2019 | 31.12.2018 |
|--|--------------------|--------------------|
| | RM | RM |
| Reinsurers' share of claim liabilities | 155,068,464 | 142,306,111 |
| Accumulated impairment losses | (44,494) | (170,929) |
| Reinsurers' share of claim liabilities (Note 11) | 155,023,970 | 142,135,182 |
| Reinsurers' share of premium liabilities (Note 11) | 48,308,531 | 49,751,523 |
| | <u>203,332,501</u> | <u>191,886,705</u> |

Movement of accumulated impairment losses account:

| | Individually Impaired | |
|-------------------------------|------------------------------|-------------------|
| | 30.06.2019 | 31.12.2018 |
| | RM | RM |
| At beginning of year | 170,929 | 541,447 |
| Reversal of impairment losses | (126,435) | (370,518) |
| At end of period/year | <u>44,494</u> | <u>170,929</u> |

During the year, the Company recognised reversal of impairment losses of RM126,435 in respect of reinsurance assets pertaining to a reinsurer which had been fully impaired in the previous year due to deteriorating financial performance and credit rating. The reversal of impairment losses during the current year was due to the settlement of claims and the closure of time-barred losses, resulting in the reversal of reserves provided earlier.

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

11. INSURANCE CONTRACT LIABILITIES

| | 30.06.2019 | | | 31.12.2018 | | |
|---|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| | RM | RM | RM | RM | RM | RM |
| Provision for claims reported by policyholders | 324,941,535 | (141,433,435) | 183,508,100 | 314,222,500 | (133,032,338) | 181,190,162 |
| Provision for incurred but not reported claims (“IBNR”) and provision for risk margin for adverse deviations (“PRAD”) | 34,461,643 | (13,590,535) | 20,871,108 | 30,045,768 | (9,102,844) | 20,942,924 |
| Claim liabilities (i) | 359,403,178 | (155,023,970) | 204,379,208 | 344,268,268 | (142,135,182) | 202,133,086 |
| Premium liabilities (ii) | 223,097,598 | (48,308,531) | 174,789,067 | 209,736,875 | (49,751,523) | 159,985,352 |
| | 582,500,776 | (203,332,501) | 379,168,275 | 554,005,143 | (191,886,705) | 362,118,438 |
| (i) Claim liabilities | | | | | | |
| At beginning of period/year | 344,268,268 | (142,135,182) | 202,133,086 | 375,270,776 | (180,460,783) | 194,809,993 |
| Claims incurred in the current accident period (direct and facultative) | 148,994,365 | (48,515,541) | 100,478,824 | 236,225,856 | (41,150,445) | 195,075,411 |
| Adjustment to claims incurred in prior accident year due to changes in assumption | | | | | | |
| - change in link ratios used in the IBNR estimation | - | - | - | - | - | - |
| Movement in PRAD of claim liabilities | 1,379,608 | (1,000,061) | 379,547 | 1,107,276 | (1,871,658) | (764,382) |
| Movement in unallocated loss adjustment expenses (“ULAE”) | 170,090 | - | 170,090 | 2,594,958 | (1) | 2,594,957 |
| Other movement in claims incurred | | | | | | |
| in prior accident years (direct and facultative) | (19,190,654) | 10,176,317 | (9,014,337) | (8,504,715) | (955,232) | (9,459,947) |
| Movement in claims incurred (treaty inwards claims) | 120,063 | - | 120,063 | 1,047,802 | - | 1,047,802 |
| Claims paid during the period | (116,338,562) | 26,450,497 | (89,888,065) | (263,473,685) | 82,302,937 | (181,170,748) |
| At end of period/year | 359,403,178 | (155,023,970) | 204,379,208 | 344,268,268 | (142,135,182) | 202,133,086 |
| (ii) Premium liabilities | | | | | | |
| At beginning of period/year | 209,736,875 | (49,751,523) | 159,985,352 | 194,246,994 | (46,449,082) | 147,797,912 |
| Premiums written in the period | 271,195,090 | (73,008,611) | 198,186,479 | 498,609,403 | (139,644,432) | 358,964,971 |
| Premiums earned during the period | (257,834,367) | 74,451,603 | (183,382,764) | (483,119,522) | 136,341,991 | (346,777,531) |
| At end of period/year | 223,097,598 | (48,308,531) | 174,789,067 | 209,736,875 | (49,751,523) | 159,985,352 |

As at 30 June 2019, the insurance contract liabilities above includes the Company’s share of MMIP’s claim and premium liabilities amounting to RM33,090,348 (2018: RM35,082,049) and RM2,876,987 (2018: RM2,935,375).

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

12. TAXATION

| | 30.06.2019 | 30.06.2018 |
|---|--------------------|-------------------|
| | RM | RM |
| Current income tax: | | |
| Malaysian income tax | 8,774,848 | 7,741,174 |
| | <u>8,774,848</u> | <u>7,741,174</u> |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | (587,458) | (290,379) |
| Overprovision in prior year | (735,163) | - |
| | <u>(1,322,621)</u> | <u>(290,379)</u> |
| | <u>7,452,227</u> | <u>7,450,795</u> |

Income tax is based on the statutory tax rate of 24% of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

| | 30.06.2019 | 30.06.2018 |
|---|-------------------|-------------------|
| | RM | RM |
| Profit before taxation | <u>43,070,423</u> | <u>34,211,832</u> |
| Taxation at Malaysian statutory tax rate of 24% | 10,336,902 | 8,210,839 |
| Income not subject to tax | (763,601) | (475,778) |
| Expenses not deductible for tax purposes | (1,385,911) | (284,266) |
| Transfer from/(to) deferred tax | - | - |
| Tax rate changes | - | - |
| Overprovision of deferred tax in prior year | (735,163) | - |
| Tax expense for the year | <u>7,452,227</u> | <u>7,450,795</u> |

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

13. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial period attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial period.

| | 30.06.2019 | 30.06.2018 |
|--|-------------------|-------------------|
| | RM | RM |
| Profit attributable to ordinary equity holder | 35,618,197 | 26,761,037 |
| Number of ordinary shares in issue during the period | 100,000,000 | 100,000,000 |
| Basic earnings per share (sen) | <u>35.62</u> | <u>26.76</u> |

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of the financial statements.

14. CASH GENERATED FROM OPERATING ACTIVITIES

| | 30.06.2019 | 30.06.2018 |
|--|-------------------|-------------------|
| | RM | RM |
| Profit before taxation | 43,070,424 | 34,211,832 |
| Investment income | (16,044,728) | (15,558,909) |
| Finance cost | 64,054 | - |
| Realised gains on financial assets at FVOCI and FVTPL | (1,059,148) | (3,515,951) |
| Fair value (gains)/losses recorded in income statement | (3,493,366) | 769,096 |
| Purchases of financial assets at FVTPL | (123,123,431) | (2,719,184) |
| Purchases of financial assets at FVOCI | (173,284,583) | (411,932,384) |
| Proceeds from maturities/disposals of financial assets at FVOCI | 255,390,800 | 346,807,611 |
| Proceeds from maturities/disposals of financial assets at FVTPL | 32,000,000 | 1,500,000 |
| Decrease/(Increase) in financial assets at amortised cost | 88,993 | (112,595) |
| Non-cash items: | | |
| Depreciation of property and equipment and right-of-use assets | 2,927,096 | 1,982,449 |
| Changes in allowance for ECL on investment assets | (103,807) | (1,069,870) |
| Provision for/(write back of) impairment losses on insurance receivables | 1,453,023 | (201,075) |

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

14. CASH GENERATED FROM OPERATING ACTIVITIES (CONT'D.)

| | 30.06.2019 | 30.06.2018 |
|---|-------------------|---------------------|
| | RM | RM |
| Non-cash items (cont'd.): | | |
| Write back of impairment losses on reinsurance assets | (126,435) | (59,011) |
| Write back of bad debts | (1,670,743) | (40,394) |
| Property and equipment written off | 43 | 1,698 |
| Net amortisation of discounts | 99,713 | 5,554 |
| Changes in working capital: | | |
| Reinsurance assets | (11,319,361) | 26,280,116 |
| Insurance receivables | (7,020,914) | (12,262,434) |
| Other receivables | (383,244) | 3,013,784 |
| Insurance contract liabilities | 28,495,633 | (11,632,889) |
| Deposits from reinsurers | (64,198) | (820,853) |
| Insurance payables | (9,666,231) | (3,048,112) |
| Other payables | (4,826,277) | (9,444,745) |
| Cash generated from/(used in) operating activities | <u>11,403,313</u> | <u>(57,846,266)</u> |

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

15. CAPITAL COMMITMENTS

The capital commitments of the Company as at the financial period are as follows:

| | 30.06.2019 | 30.06.2018 |
|----------------------------------|-------------------|-------------------|
| | RM | RM |
| Capital expenditure: | | |
| Approved and contracted for: | | |
| Property and equipment | 2,850,761 | 4,114,585 |
| Approved but not contracted for: | | |
| Property and equipment | 6,034,619 | 1,742,377 |
| | <u>8,885,379</u> | <u>5,856,962</u> |

GREAT EASTERN GENERAL INSURANCE (MALAYSIA) BERHAD
(Incorporated in Malaysia)

16. REGULATORY CAPITAL REQUIREMENTS

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

| | 30.06.2019 | 30.06.2018 |
|---------------------------------------|---------------------|---------------------|
| | RM | RM |
| Eligible Tier 1 Capital: | | |
| Share capital (paid up) | 100,000,000 | 100,000,000 |
| Reserves, including retained earnings | 273,375,022 | 255,253,592 |
| | <u>373,375,022</u> | <u>355,253,592</u> |
| Tier 2 Capital: | | |
| Eligible Reserves | 6,793,949 | (1,322,880) |
| | <u>6,793,949</u> | <u>(1,322,880)</u> |
| Deductions | (18,182,598) | (18,182,598) |
| | <u>(18,182,598)</u> | <u>(18,182,598)</u> |
| Total Capital Available | <u>361,986,373</u> | <u>335,748,114</u> |

17. UPDATES ON MALAYSIAN COMPETITION COMMISSION ("MYCC")

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision on an alleged infringement by the General Insurance Association of Malaysia ("PIAM") and its 22 members under Section 4(2)(a) of the Competition Act 2010 ("the Act") with a proposed financial penalty of RM213.45 million in total, out of which the proposed financial penalty on the Company is RM2.95 million.

MyCC's Proposed Decision is with respect to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") in respect to the trade discount rates for parts of certain vehicle makes and labour rates for workshops under the PIAM Approved Repairers Scheme.

In line with the appointment of a new Chairman for MyCC which took effect on 5 September 2018, a new oral hearing was requested by the legal counsel of PIAM on 8 November 2018 so as to provide further clarification to the new Chairman and Members of the Commission prior to the final decision.

The case management for PIAM and the other 18 general insurers proceeded on 21 February 2019 and subsequently, the oral representations of the 18 insurers were submitted on 13 to 14 May 2019 and 17 to 18 June 2019.

While pending MYCC's decision, the status of this matter remains largely unchanged.