Registration No.

201001040438 (924363-W)

AIA GENERAL BERHAD

(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Registration No.
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CONTENTS

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AIA GENERAL BERHAD
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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the annual audited financial statements of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant change in the principal activity during the financial year.

FINANCIAL RESULTS

	RM'000
Profit after tax for the financial year	35,047

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

SUBSEQUENT EVENT AFTER THE FINANCIAL YEAR

There were no material events subsequent to the reporting date that require disclosures or adjustments to the financial statements.

DIVIDENDS

In respect of the financial year ended 31 December 2021:

	RM'000
Final single tier dividend of RM0.2105 per ordinary share on 190,000,000 ordinary shares, paid on 13 June 2022	40,000

The Directors have not recommended any final dividend to be paid for the current financial period under review.

SHARE CAPITAL

There were no changes in the issued share capital of the Company during the year.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Ching Yew Chye @ Chng Yew Chye (Chairman)
Kang Ah Lai @ Kang Hak Koon
Chong Kin Leong
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin
Heng Zee Wang

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration in Note 24) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

AIA GENERAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS AND DEBENTURES

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares			
	As at 1 January 2022/Date of Appointment	Acquired	Disposed	As at 31 December 2022
AIA Group Limited				
Direct Interest				
Heng Zee Wang	180,740	14,793	-	195,533
Indirect Interest				
Ching Yew Chye @ Chng Yew Chye	217,000	-	-	217,000

	Number of matching restricted stock purchase unit over ordinary shares under Employee Share Purchase Plan			
	As at 1 January 2022/Date of Appointment	Granted	Vested	As at 31 December 2022
AIA Group Limited				
Heng Zee Wang	2,462	920	(1,502)	1,880

	Number of restricted share units over ordinary shares			
	As at 1 January 2022/Date of Appointment	Granted	Vested	As at 31 December 2022
AIA Group Limited				
Heng Zee Wang	50,231	8,583	(34,282)	24,532

Matching restricted stock purchase units, restricted share units and share options are granted to certain employees, Directors and officers of the Company under the Employee Share Purchase Plan, Restricted Share Unit Scheme and Share Option Scheme of AIA Group Limited respectively. Details of the employee share purchase plan are set out in Note 31 to the financial statements.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The Directors regard AIA Bhd., a company incorporated in Malaysia and AIA Group Limited ("AIAGL"), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited, as the Company's immediate holding company and ultimate holding company respectively.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") is satisfied that, the Company has complied with all the prescriptive requirements of, and adopts the Corporate Governance Policy Document, issued by Bank Negara Malaysia ("BNM").

(A) BOARD OF DIRECTORS

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows:

1. Ching Yew Chye @ Chng Yew Chye (Chairman)
   Independent Non-Executive Director

   Mr Ching holds a Bachelor of Science (Honours) degree from the University of London, UK. Mr Ching has extensive experience in retail and commercial banking as well as capital markets. Between 1997 and 2007, Mr Ching assumed various regional senior management roles in Accenture, including the roles of Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region.

2. Kang Ah Lai @ Kang Hak Koon
   Independent Non-Executive Director

   Mr Kang is a Fellow of The Association of Chartered Certified Accountants, UK, a Member of the Malaysian Institute of Accountants, and a Chartered Insurer of The Chartered Insurance Institute, UK. Between 1979 and 2000, Mr Kang served in various capacities in Finance and Business Operations, his last position being General Manager of the General Insurance Division of Sime AXA Assurance Bhd. He has also served as Chief General Insurance Officer of Prudential Malaysia and was a pioneer in starting Prudential's General Insurance business.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows: (continued)

3. Chong Kin Leong
Independent Non-Executive Director

Mr Chong graduated in Accounting from the University of Malaya in 1981 and is a Member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. Mr Chong has more than 40 years of experience in all aspects of financial and business management in the corporate sector, financial institutions and auditing. His last executive position prior to retirement was Chief Financial Officer of Genting Berhad, where he worked for 16 years.

4. Tunku Dato' Mahmood Fawzy bin Tunku Muhyiddin
Independent Non-Executive Director

Tunku Dato' Mahmood Fawzy received his BA (Hons) Business Studies from the Polytechnic of Central London, Masters in Business Administration from the University of Warwick and Diploma in Marketing from the Chartered Institute of Marketing. Tunku Dato' Mahmood Fawzy is a Fellow of the Chartered Institute of Management Accountants and the Institute of Corporate Directors Malaysia. Tunku Dato' Mahmood Fawzy draws on a wealth of experience around strategy, governance, risk management, and cross border activity in telecommunications, investment management and private equity activity, oil and gas, marine and aviation logistics, corporate advisory, banking and financial services, across several international locations including the United Kingdom, New Zealand, South Africa and Malaysia.
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STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The brief profile of the Directors in office during the financial year and during the period from the end of the financial year to the date of the report are as follows: (continued)

5. Heng Zee Wang
Executive Director

Zee Wang holds a first-class honours degree in Bachelor of Science (Hons) in Actuarial Science from the University of Kent, Canterbury, United Kingdom. He is also a Fellow of the Institute and Faculty of Actuaries, UK.

Zee Wang has been the Chief Marketing Officer of AIA Bhd. since May 2018. He is responsible for building a purpose-led brand for AIA which advocates for "Healthier, Longer, Better Lives". He spearheads the development and implementation of integrated marketing strategies that put AIA Malaysia's customers at the front and centre – this includes delivering the company's distinctive propositions through innovative yet personalised total health and wealth solutions, together with its unique health programme AIA Vitality. He also leads the development of My AIA, the company's dedicated customer digital platform designed to enable customers to self-serve and interact with AIA seamlessly.

In addition, Zee Wang oversees AIA Malaysia's Private Retirement Scheme and General Insurance business as well as developing digital direct business with digital platform partners.

Zee Wang has over 26 years of experience across the Asia Pacific region and in the UK, with roles spanning a number of functions including finance and actuarial, marketing, sales distribution, and business development. He is a member of the Executive Committee of AIA Bhd. and is an Executive Director of AIA Pension and Asset Management Sdn. Bhd. and AIA General Berhad respectively.

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director's initial appointment. The Board is also discouraged from having more than eight (8) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

During the financial year, a total number of twenty-three (23) Board and Board Committee Meetings were held, as set out below:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	6	5	2	3	7

The Directors' attendance to the Board and Board Committee Meetings during the financial year was as follows:

Name of Director	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board Meeting
Ching Yew Chye @ Chng Yew Chye	6/6	5/5	2/2	3/3	7/7
Kang Ah Lai @ Kang Hak Koon	6/6	5/5	2/2	3/3	7/7
Chong Kin Leong	6/6	5/5	2/2	3/3	7/7
Tunku Dato' Mahmood Fawzy bin Tunku Muhyiddin	6/6	5/5	2/2	3/3	7/7
Heng Zee Wang	N/A	N/A	2/2	N/A	7/7

The Board is responsible for the overall governance of the Company and discharges this responsibility through compliance with the Financial Services Act ("FSA") and Corporate Governance Policy Document issued by BNM and other directives, in addition to adopting other best practices on corporate governance.

The Board has an overall responsibility to lead the Company, including setting the strategic future direction, review viability of the corporate objective and overseeing the conduct and performance of business.

As at the date of the report, the Board comprises four Independent Non-Executive Directors and one Executive Director to enable a balanced and objective consideration of issues, hence facilitating optimal decision-making.

The Board met seven times during the financial year. All Directors in office at the end of the financial year complied with the 75% minimum attendance requirement at such meeting.

** N/A – Not Applicable (Not a Member)*

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Members of the Board had attended briefings, conferences, seminars and trainings during the financial year, which include the following:

No.	Description
1.	Internal Training Session on Cybersecurity Predictions for 2022 and Top Security Principles and Live Demonstrations of My AIA and AIA Planner App
2.	BNM-FIDE FORUM Dialogue: Licensing Framework for Digital Insurers and Takaful Operators
3.	Capital Market Director Programme by the Securities Industry Development Corporation
4.	BNM-FIDE FORUM Dialogue: Climate Risk Management and Scenario Analysis
5.	MetaFinance: The Next Frontier of the Global Economy
6.	Audit Committee Conference 2022: Beyond Effectiveness: Governance, Sustainability and Agility
7.	MIA International Accountants Conference 2022
8.	Internal Training Session on Environmental Social Governance Session
9.	Internal Sharing Session on Embedded Value and Outsourcing Framework (AIA PUBLIC Takaful Bhd.)
10.	FIDE FORUM Leadership Perspectives Forum on Board Effectiveness in conjunction with the launch of FIDE FORUM Board Effectiveness Evaluation Guidebook
11.	Internal Session on Case Studies of Success and the Failure Stories in Digital Transformation by Gartner
12.	BNM-FIDE FORUM Dialogue: Engagement with Board Members of General Insurers and Takaful Operators on Motor Claims Reforms
13.	FIDE FORUM Board Effectiveness Evaluation – Post launch Workshop (Session 1)
14.	ASAS – AIA BOD: Shariah Training: What it Means for Financial Institutions in Financial Services
15.	Internal Briefing on Cybersecurity Threat Landscape and Cyber Risk Oversight Board Perspective by PwC
16.	The Emerging Trend Threats and Risks to the Financial Services Industry – Managing Global Risk Investment and Payment
17.	Internal Briefing on IFRS17
18.	Talk on 1st Half 2022 Market Outlook
19.	Talk on Can Markets Continue to Climb a Wall of Worry?
20.	Training Session on Sustainability Starts from Within
21.	Session on 2022 Market Outlook
22.	Session on A Divergent World - Hawkish Fed, Dovish PBOC and Opportunities in China
23.	Session on Climate Disclosure Training
24.	Session on Building A Corporate Culture that Breeds Innovation & Flexibility
25.	MICPA - KPMG Joint Webinar: Developing Malaysia's Roadmap to Net Zero
26.	Training Session on Technology and Digitalisation

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

The Members of the Board had attended briefings, conferences, seminars and trainings during the financial year, which include the following: (continue)

No.	Description
27.	Talk on Are We Entering a Second Cold War?
28.	Session on Exercising Sustainability Governance and Oversight for Press Metal
29.	Session on Global Training for Board Members and Branch Managers
30.	Talk on Fund Transfer Pricing Training by EY
31.	Conference on Developing and Financing Green Housing in Asia
32.	Training and Information on Technology Developments
33.	Session on Sanctions and Financial Crime Prevention by Mr Ross Daniel Savage
34.	Talk on Quality Amidst Uncertainties

The Members of the Board were also regularly updated on the issuance of new related Acts and regulations as well as the requirements to be observed both by the Company and Directors.

The Company provides an in-house orientation to newly appointed Directors and the Directors may request trainings on specific subjects in facilitating the Directors to discharge their duties effectively. On an annual basis, the Nominating Committee will conduct annual review of trainings attended by the Directors during each financial year.

To support sound corporate governance and processes, the Board formed various Board Committees namely the Nominating Committee, the Remuneration Committee, the Risk Management Committee and the Audit Committee ("the Committees") in accordance with the requirements of BNM's Corporate Governance Policy Document.

The roles and members of the Committees are as provided below.

Nominating Committee

As at the date of this report, the Nominating Committee ("NC") comprises five (5) members as follows:

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Chairman (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Kang Ah Lai @ Kang Hak Koon	Member (Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)
Heng Zee Wang	Member (Executive)

The objective of the NC is to establish a documented, formal and transparent procedure for the appointment of Directors, Chief Executive Officer ("CEO") and Key Senior Officers ("KSOs") and to assess the effectiveness of individual Directors, the Board as a whole (including various committees of the Board), CEO and KSOs on an on-going basis.

(A) BOARD OF DIRECTORS (CONTINUED)

Nominating Committee (continued)

The principal duties and responsibilities of the NC are:

(a) establishing the minimum requirements of the Directors and senior management at the time of appointment and on a continuing basis;

(b) establishing and regularly reviewing succession plans for senior management and the Board to promote the Board's renewal and address any vacancies;

(c) ensuring that the composition of the Board and the designated board-level committee should include at least a member with technology experience and competencies;

(d) establishing a rigorous process for the appointment and removal of Directors and senior management. The process must involve the assessment of candidates against the minimum requirements as set out in the Corporate Governance Policy Document to maintain the engagement between a candidate and the Committee and to ascertain the suitability of each candidate for the Board;

(e) assessing against the minimum requirements for each senior management and Director on an annual basis, and as and when the Board becomes aware of information that may materially compromise the individual/Director's fitness and propriety, or any circumstance that suggests that the Director is ineffective, errant or otherwise unsuited to carry out his responsibilities;

(f) recommending and assessing the appointment and reappointment of Directors and senior management as per the minimum requirements as set out in the Corporate Governance Policy Document before an application for approval is submitted to BNM;

(g) assessing the Board and the Board Committees in terms of the appropriate size that promotes effective deliberation and encourages the active participation of all Directors and allows the work of the various Board Committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board Committees;

(h) assessing the performance and effectiveness of the Board, the Board Committees and individual Directors. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Company; and

(i) overseeing the effective implementation of the transfer of knowledge of expatriates to local employees.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Remuneration Committee

As at the date of this report, the Remuneration Committee ("RC") comprises four (4) members as follows:

Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Chairman (Independent Non-Executive)
Kang Ah Lai @ Kang Hak Koon	Member (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)

The objective of the RC is to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEO and KSOs and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

The principal duties and responsibilities of the RC are to review and assess:

(a) the remuneration policy of the Company which must be approved by the Board, which must be subject to periodic Board's review, including when material changes are made to the policy.

(b) the remuneration for each Director, members of senior management and other material risk taker must be approved by the Board annually. The Company must maintain and regularly review a list of officers who fall within the definition of "other material risk takers".

(c) the overall remuneration system for the Company which must:

    (i) be subject to the Board's active oversight to ensure that the system operates as intended;
    (ii) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
    (iii) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers; and
    (iv) be designed and implemented with input from the control functions and the Board's Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Remuneration Committee (continued)

The principal duties and responsibilities of the RC are to review and assess: (continued)

(d) the remuneration for individuals which must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:

  (i) remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;
  (ii) the size of the bonus pool is linked to the overall performance of the Company;
  (iii) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
  (iv) bonuses are not guaranteed, except in the context of sign-on bonuses; and
  (v) for members of senior management and other material risk takers:
    - a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and
    - the variable portion of remuneration increases along with the individual's level of accountability.

(e) the remuneration payout schedules which must reflect the time horizon of risks and take account of the potential for financial risks to crystallise over a longer period of time. As such, the Company must adopt a multi-year framework to measure the performance of members of senior management and other material risk takers. Such a framework must provide for:

  (i) the deferment of payment of a portion of variable remuneration to the extent that risks are realised over long periods, with these deferred portions increasing along with the individual's level of accountability;
  (ii) the calibration of an appropriate mix of cash, shares, share-linked instruments, and other forms of remuneration to reflect risk alignment; and
  (iii) adjustments to the vested and unvested portions of variable remuneration (through malus, claw backs and other reversals or downward revaluations of awards) in the event of bad performance of the business unit or institution attributable to the individual or if he commits serious legal, regulatory or internal policy breaches.

(f) the incentive structure to ensure that:

  (i) variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;
  (ii) the determination of performance measures and variable remuneration considers that certain indicators (such as share prices) may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to the Company's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take on excessive risk in the short term; and
  (iii) members of senior management and other material risk takers commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee

As at the date of this report, the Risk Management Committee ("RMC") comprises four (4) members as follows:

Kang Ah Lai @ Kang Hak Koon	Chairman (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Chong Kin Leong	Member (Independent Non-Executive)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Member (Independent Non-Executive)

The objective of the RMC is to oversee the senior management's activities in managing the key risk areas of the Company and to ensure that an appropriate risk management process is in place and functioning effectively. Risk Management Committee is also the designate board-level committee to oversee technology related matters and frameworks.

The principal duties and responsibilities of the RMC are:

(a) ensuring that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities;

(b) providing effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;

(c) ensuring senior management oversight in the day-to-day management of the financial institution's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board;

(d) ensuring that the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a Company-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the institution. The sophistication of the Company's risk management framework must keep pace with any changes in the institution's risk profile (including its business growth and complexity) and the external risk environment;

(e) ensuring that the risk management is well-integrated throughout the organisation and embedded into the culture and business operations of the institution;

(f) establishing an independent senior risk executive role (chief risk officer or its equivalent) with distinct responsibility for the risk management function and the institution's risk management framework across the entire organisation. The executive must have sufficient stature, authority and seniority within the organisation to meaningfully participate in and be able to influence decisions that affect the Company's exposures to risk;

(g) establishing and maintaining an effective risk management function with sufficient authority, stature, independence, resources and access to the Board;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Risk Management Committee (continued)

The principal duties and responsibilities of the RMC are: (continued)

(h) effectively implementing the risk management framework that is reinforced with an effective compliance function and subjected to an independent internal audit review;

(i) ensuring that the Company has appropriate mechanisms in place for communicating risks across the organisation and for reporting risk developments to the Board and senior management;

(j) ensuring that the executive remuneration is aligned with prudent risk-taking and appropriately adjusted for risks. The Board must actively oversee the institution's remuneration structure and its implementation, and must monitor and review the remuneration structure to ensure that it operates as intended;

(k) ensuring that the Board and senior management are aware of and understand the Company's operational and organisational structure and the risks it poses and be satisfied that it is not overly complex or opaque such that it hampers effective risk management by the Company;

(l) ensuring that the Board and senior management understand the purpose, structure and unique risks of operations when the Company operates through special-purpose structures. Appropriate measures must be undertaken to mitigate the risks identified;

(m) establishing and approving the technology risk appetite and risk tolerance;

(n) overseeing the adequacy of the Company's IT and cybersecurity strategic plans covering a period of no less than three years;

(o) overseeing the effective implementation of a sound and robust technology risk management framework and cyber resilience framework; and

(p) discussing cyber risks and related issues, including the strategic and reputational risks associated with a cyber-incident.

Audit Committee

As at the date of this report, the Audit Committee ("AC") comprises four (4) members as follows:

Chong Kin Leong	Chairman (Independent Non-Executive)
Ching Yew Chye @ Chng Yew Chye	Member (Independent Non-Executive)
Kang Ah Lai @ Kang Hak Koon	Member (Independent Non-Executive)
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	Member (Independent Non-Executive)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

The primary objective of the AC is to ensure the integrity and transparency of the financial reporting process.

The principal duties and responsibilities of the AC are:

(a) ensuring that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;

(b) reviewing and concurring the annual audit plan, audit charter and annual budget of the internal audit department and the appointment of the external auditors;

(c) ensuring that internal audit staff have free and unrestricted access to the Company's records, assets, personnel or processes relevant to and within the scope of the audits;

(d) reviewing various relationships between the external auditors and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company;

(e) maintaining regular, timely, open and honest communication with the external auditors, and require the external auditors to report to the AC on significant matters;

(f) reviewing with the external auditors that appropriate audit plans are in place and the scope of the audit plans reflect the terms of the engagement letter;

(g) reviewing with the external auditors on the financial statements and discussing the findings and issues arising from their work done, including but not limited to, any opinions or qualifications, significant/material changes and fluctuations reported therein;

(h) audit reports, including obligation reports to BNM and discuss the findings and issues arising from the external audit;

(i) ensuring that management's remediation efforts with respect to all findings and recommendations are resolved effectively and in a timely manner;

(j) approving the provision of non-audit services by the external auditors and ensuring that the level of provision of non-audit services is compatible with maintaining auditor independence;

(k) reviewing the Chairman's statement, interim financial reports, preliminary announcements and corporate governance disclosures in the Directors' Report (where applicable);

(l) reviewing any related party transactions and conflicts of interest situations that may arise including any transaction, procedure or conduct that raises questions of management integrity;

(m) ensuring that the Company's accounts are prepared and published in a timely and accurate manner for regulatory, management and general reporting purposes;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

<u>Audit Committee</u> (continued)

The principal duties and responsibilities of the AC are: (continued)

(n) monitoring compliance with the Board's conflict of interest policy which would include monitoring the items set out below:

- (i) identifying circumstances which constitute or may give rise to conflicts of interests;
- (ii) clearly defining the process for Directors to keep the Board informed on any change of circumstances that may give rise to a conflict of interest;
- (iii) identifying those responsible for maintaining updated records on each Director's conflicts of interest; and
- (iv) articulating how any non-compliance with the policy will be addressed.

(o) reviewing third-party opinions on the design and effectiveness of the Company's internal control framework.

The AC has the authority to investigate any matter within its terms of reference and has unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Company.

During the financial year, the AC members have met twice with the external auditors without the presence of the management.

(B) MANAGEMENT ACCOUNTABILITY

The Company has an organisational structure that clearly establishes the job descriptions, authority limits and other operating boundaries of each management and executive employees and formal performance appraisal is done annually. Information is effectively communicated to the relevant employees within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the FSA.

The management meets all prescriptive requirements under this section and has already adopted best practices in the areas of organisational structure and allocation of responsibilities, conflicts of interest, goal setting and the area of communication.

(C) CORPORATE INDEPENDENCE

All material related party transactions are conducted on agreed terms as specified under BNM's Guidelines on Related-Party Transactions and BNM's Corporate Governance Policy Document. Related parties' transactions and balances have been disclosed in the financial statements in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK

The Board assisted by its sub-committees has overall responsibility for ensuring that the Company maintains an adequate system of internal control and risk management and for reviewing its effectiveness. Enterprise Risk Management, Compliance and Internal Audit functions, among others, provide assessment, reporting and assurance on the effectiveness of the Company's policies and operations as well as its compliance with legal and regulatory obligations.

The criteria applied by the Directors in judging the effectiveness of these controls are that they allow the maximisation of shareholders' value by optimising business opportunities whilst ensuring that risks are properly identified and managed. The controls are regularly reviewed to ensure that they enable the proper management of business risks without so restricting efficiency and entrepreneurial nature that they inhibit proper running of the business.

The Company has a management structure with clear lines of responsibility and accountability, staffed by appropriate personnel. The Board is responsible for setting the overall strategy and reviewing the performance of the Company.

The day to day running of the Company's operations is managed by the Company's Management Committee, chaired by the Chief Executive Officer. This team is also responsible for the recommendation to the Board of the Company's strategy and its subsequent implementation, for ensuring that appropriate internal controls are in place to manage and assess risk and that they are fully complied with.

The company's Risk Management Framework ("RMF") does not seek to eliminate all risks, but rather to identify, understand and manage them within acceptable limits in order to support the sustainability of the business and the creation of long-term value, and can only provide reasonable and not absolute assurance against material misstatement or loss. The key features of the company's RMF include:

(a) <u>Risk Culture</u>

The Company identifies desired risk behaviours for its employees and to promote the desired risk behaviours and foster mindsets and attitude which influence them, the Company has identified a set of drivers. The desired risk behaviours are promoted through broader culture programmes aligned to AIA's Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People…the Right Results will come."

(b) <u>Risk Governance</u>

Risk Governance establishes clear responsibility and accountability across the Company to execute its risk strategy and carry out its day-to-day risk management and compliance activities. The Company's Risk Governance is organised through the "Three Lines of Defence" model which clearly defines roles and responsibilities for the management of risk and compliance between the executive management ("First Line"), Risk and Compliance ("Second Line") and Internal Audit ("Third Line") functions. Whilst each line of defence is independent from the others, they work closely to ensure effective oversight.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

(b) Risk Governance (continued)

Risk and compliance policies and standards referred collectively as "Risk Policy Suite", sets out the approach and minimum expectations for managing the Company's risk profile. The Risk Policy Suite which supports the management of risk and establishment of a robust control environment may be owned by the Risk and Compliance functions or other business functions. The following policies have been adopted by the Company:

(i) AIA Code of Conduct: AIA Code of Conduct lays the foundation for good business decisions and guides staff and agents in conducting business honourably, ethically and with utmost professionalism. The Code specifies the standards of behaviour to which every AIA employee and stakeholder is expected to adhere. The Code guides us on compliance, ethics and risk issues and allows us to contribute positively to the societies where we operate.

(ii) Whistleblower Protection Policy: Whistleblower Protection Policy aims to establish corporate values and culture that support ethical behaviour and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or Group policy connected with AIA Group's business activities.

(iii) Anti-Fraud Policy: The Company is committed to conducting all of its business with the highest level of ethics and integrity. To uphold this commitment and in particular, a zero-tolerance approach to fraud, the Company requires adherence to this Anti-Fraud Policy. The policy is intended to reinforce management procedures designed to aid in the prevention, detection and investigation of fraud, thereby safeguarding the Company's assets and providing protection from the legal and reputational consequences of fraudulent activities.

(iv) Anti-Corruption Policy: The Company is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for the Company. The Anti-Corruption Policy also makes good business sense.

(v) Anti-money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions (AML, CFT & TFS) Policy: The Company is committed to a strict programme of compliance with all applicable laws and regulations to prevent the use of its products and services for money laundering and terrorist financing purposes. The policy sets out the detailed requirements of the Company's AML, CFT & TFS Programme, which includes conducting simplified customer due diligence, ongoing monitoring, suspicious activity reporting, training and record keeping. AIA uses a comprehensive monitoring software to screen and monitoring of customer activity. All staff and agents are required to complete internal training requirement.

DIRECTORS' REPORT (CONTINUED)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(D) INTERNAL CONTROL FRAMEWORK (CONTINUED)

(b) Risk Governance (continued)

(vi) Data Privacy Compliance Policy: AIA is committed to protecting the interests of our customers, partners, staff, agents and stakeholders, ensuring high standards of information security. The policy prescribes adequate safeguards for our customer and business data as well as compliance with data protection legislation. AIA's Group Information Security Policy is consistent with industry leading standards to ensure that our systems, processes and information are secured.

(c) Risk Strategy

Risk Strategy describes the types of risks, how and to what extent they are taken in order to pursue the Company's strategic objectives. The Company's risk appetite framework establishes the quantum and nature of risks the Company is prepared to take to achieve its strategic objectives.

The Company also maintains a detailed risk taxonomy to ensure all risks are identified and systematically managed.

(d) Risk Underwriting and Risk Control

The Company has a robust process that provides sufficient information, capability and tools to manage its key risks. Risks which the Company proactively accepts are identified, quantified and managed to support the creation of long-term value, while risks which the Company seeks to mitigate are managed through an effective internal controls system to maintain exposures within an acceptable residual level.

In order to encourage good management and to embed a culture of iterative process of continuous improvement, all business functions must incorporate the key risk management process in their activities to identify, quantify, manage and monitor the risk exposures. This ensures that risk reviews undertaken by the Company are appropriate and contributes to optimisation of business decisions.

(e) Risk Disclosure

Risk disclosure represents the internal and external risk and compliance reporting processes which support an ongoing evaluation of the Company's risk profile, compliance status, and overall effectiveness of the RMF.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY

The AIA Group's Remuneration Guidelines, Philosophy and Standards applies to the Company and guide the design, operation and management of remuneration programmes. The elements of the remuneration policy applied are compensation (fixed and variable), benefits, performance and recognition.

The Company conducts yearly overall Salary Increment ("SI"), overall Short-Term Incentive ("STI") Payout, Long Term Incentive ("LTI") Scheme Grant and Nominations and Total Compensation Review ("TCR") for the senior management. The yearly exercise was recommended by the CEO (excluding that of the CEO) and consulted with the CEO of AIA Malaysia and the Regional Chief Executive of AIA Group. The proposal is then tabled to the Remuneration Committee and the Board for approval.

The remuneration programmes should be market competitive, transparent and within prudent risk limits to attract and retain best talents in financial services industry. The compensation comprises of fixed pay and variable pay. Variable pay refers to discretionary pay or pay-at-risk which is cash based and does not consist of shares or non-cash instrument. Market competitiveness ensures remuneration is aligned with the relevance of the market movement and the overall target market position of the Company will be at market median.

Remunerations are determined based on individual performance as well as the Company's performance. The Performance Development Dialogue platform used by the Company in assessing the employees' performance include both "What" and "How". "What" refers to results an employee achieved, aligned with strategic priorities which help achieve the Company's business goal. On the other hand, "How" refers to behaviours an employee demonstrated to achieve the results, guided by the Company's Operating Philosophy of "Doing the Right Thing, in the Right Way, with the Right People And the results will come". Both "What" and "How" are equally important and taken into consideration in determining the employees' remuneration for the financial year.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(E) REMUNERATION POLICY (CONTINUED)

The Directors' remuneration for the financial year is required to be tabled to the Remuneration Committee, Board and Members of the Company for approval. Set out below is the breakdown of the total amount of remuneration for the following Directors during the financial year:

Name of Director	Fixed Remuneration (RM)	Variable Remuneration (RM)	Total Remuneration (RM)
Ching Yew Chye @ Chng Yew Chye	160,000	25,000	185,000
Chong Kin Leong	152,000	23,000	175,000
Kang Ah Lai @ Kang Hak Koon	136,000	30,000	166,000
Tunku Dato' Mahmood Fawzy bin Tunku Muhiyiddin	154,000	28,000	182,000
TOTAL	**602,000**	**106,000**	**708,000**

The Directors' and Officers' liability insurance is taken and borne by AIA Bhd. covering all Directors and Officers of the Company and its related companies incorporated in Malaysia, collectively.

The senior management's remuneration for the financial year was tabled to the Remuneration Committee and the Board for approval. The breakdown of the total amount of remuneration for the senior management during the financial year are as follows:

Total value of remuneration awards for the financial year	Unrestricted (RM)	Deferred (RM)
Fixed remuneration		
• Cash-based	2,707,257	-
• Shares and share-linked instruments	-	-
• Other	433,647	-
Variable remuneration		
• Cash-based	-	-
• Shares and share-linked instruments	-	584,746
• Other	-	-

(F) PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that:

  (i) proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate impairment losses had been made for doubtful debts; and

  (ii) any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company have been written down to an amount which the current assets might be expected to realise.

(b) At the date of this report, the Directors of the Company are not aware of any circumstances:

  (i) which would render the amounts written off for bad debts or the amount of impairment losses or allowance for doubtful debt in the Company inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or

  (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

  (iv) not otherwise dealt with in this report or the financial statements of the Company that would render any amount stated in the financial statements misleading.

(c) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

  (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made; and

  (iii) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

AIA GENERAL BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

For the purpose of paragraphs (c) and (d), contingent and other liabilities do not include liabilities arising from insurance contracts underwritten in the ordinary course of business of the Company.

(e) Before the income statement and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its insurance contract liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers.

AUDITORS' REMUNERATION

The auditor's remuneration are as follow:

	2022
	RM'000
Auditor's remuneration	
- statutory audit	230
- audit related services	558
- non-audit related services	40
	828

INSURANCE AND INDEMNITY COST

There was no indemnity given to, or insurance effected for auditors of the Company in respect of the liability for any of act omission in their capacity as auditor of the Company during the financial year.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 22 March 2023. Signed on behalf of the Board of Directors:

CHONG KIN LEONG
DIRECTOR

HENG ZEE WANG
DIRECTOR

Kuala Lumpur

Registration No.
201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Chong Kin Leong and Heng Zee Wang, two of the Directors of AIA General Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 29 to 114 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and financial performance of the Company for the financial year ended 31 December 2022 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated on 22 March 2023.

CHONG KIN LEONG
DIRECTOR

HENG ZEE WANG
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Lai Ann Nee, the officer primarily responsible for the financial management of AIA General Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 29 to 114 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LAI ANN NEE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 22 March 2023.

Before me:

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA GENERAL BERHAD
(Incorporated in Malaysia)
Registration No. 201001040438 (924363-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AIA General Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2022, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 114.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA GENERAL BERHAD
(Incorporated in Malaysia)
Registration No. 201001040438 (924363-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA GENERAL BERHAD
(Incorporated in Malaysia)
Registration No. 201001040438 (924363-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF AIA GENERAL BERHAD
(Incorporated in Malaysia)
Registration No. 201001040438 (924363-W)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT	WONG HUI CHERN
LLP0014401-LCA & AF 1146	03252/05/2024 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
22 March 2023

AIA GENERAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Property and equipment	3	191	301
Right-of-use assets	4	817	1,051
Intangible assets	5	3,759	3,304
Available-for-sale financial assets	6	524,132	501,782
Fair value through profit or loss financial assets	7	2,334	2,385
Loans and receivables	8	40,410	45,004
Reinsurance assets	9	40,139	27,435
Insurance receivables	10	43,577	37,889
Deferred tax assets	11	413	-
Current tax assets		3,320	-
Cash and cash equivalents		19,186	32,212
Total assets		678,278	651,363
Equity and liabilities			
Share capital	13	190,000	190,000
Retained earnings	14	84,869	89,821
Available-for-sale fair value reserve		(1,283)	2,641
Total equity		273,586	282,462
Insurance contract liabilities	15	358,666	331,771
Insurance payables	16	11,147	11,414
Other payables	17	34,002	23,519
Lease liabilities	4	877	1,114
Current tax liabilities		-	415
Deferred tax liabilities	11	-	668
Total liabilities		404,692	368,901
Total equity and liabilities		678,278	651,363

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

AIA GENERAL BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Gross earned premiums	19(a)	298,583	293,969
Premiums ceded to reinsurers	19(b)	(18,463)	(19,164)
Net earned premiums		280,120	274,805
Investment income	20	17,347	15,370
Net realised losses	21	(3,029)	(148)
Fair value losses	22	(51)	(169)
Other operating expenses	23	(380)	(782)
Total net revenue		294,007	289,076
Gross benefits and claims paid		(90,252)	(67,425)
Claims ceded to reinsurers		7,180	5,491
Gross change to insurance contract liabilities		(19,827)	(26,536)
Change in insurance contract liabilities ceded to reinsurers		10,438	8,555
Net insurance benefits and claims		(92,461)	(79,915)
Fee and commission expenses		(66,311)	(64,399)
Management expenses	24	(92,732)	(74,963)
Other expenses		(159,043)	(139,362)
Profit before tax		42,503	69,799
Tax expenses	25	(7,456)	(15,078)
Profit after tax for the financial year		35,047	54,721
Basic earnings per share (sen)	13	18.45	28.80

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

AIA GENERAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	2022 RM'000	2021 RM'000
Profit after tax for the financial year	35,047	54,721
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value losses arising during the financial year	(7,925)	(19,896)
Net realised losses transferred to income statement	3,029	148
Deferred taxation	972	3,823
Total other comprehensive expense - net of tax, for the financial year	(3,924)	(15,925)
Total comprehensive income for the financial year	31,123	38,796

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

Registration No.
201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

			Non-distributable	Distributable	
	Share capital	Available-for-sale fair value reserve	Share-based reserves	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	190,000	2,641	-	89,822	282,463
Total comprehensive income for the financial year	-	(3,924)	-	35,047	31,123
Share-based compensation:					
- value of employee services	-	-	88	-	88
- repayment to ultimate holding company	-	-	(88)	-	(88)
Dividend paid during the financial year	-	-	-	(40,000)	(40,000)
At 31 December 2022	190,000	(1,283)	-	84,869	273,586
At 1 January 2021	190,000	18,566	-	115,101	323,667
Total comprehensive income for the financial year	-	(15,925)	-	54,721	38,796
Share-based compensation:					
- value of employee services	-	-	68	-	68
- repayment to ultimate holding company	-	-	(68)	-	(68)
Dividend paid during the financial year	-	-	-	(80,000)	(80,000)
At 31 December 2021	190,000	2,641	-	89,822	282,463

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

AIA GENERAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		42,503	69,799
Interest and dividend income		(17,362)	(15,777)
Net amortisation of premium on investments	20	321	513
Realised losses	21	3,029	148
Fair value losses	22	51	169
Reversal of impairment losses	23	(62)	(825)
Write off of allowances for bad debts	23	11	239
Depreciation			
- property and equipment	24	139	112
- right-of-use assets	24	234	266
Amortisation			
- intangible assets	24	304	408
Interest expenses		23	46
Operating profit before working capital changes		29,191	55,098
Changes in working capital:			
(Increase)/decrease in AFS and FVTPL financial assets		(20,555)	24,748
Increase in reinsurance assets		(12,704)	(8,760)
Increase in insurance receivables		(5,637)	(1,114)
Decrease in loans and receivables		4,066	3,604
(Decrease)/increase in insurance payables		(267)	5,023
Increase in insurance contract liabilities		26,895	26,434
Increase/(decrease) in other payables		4,346	(13,346)
Cash generated used in operating activities		25,335	91,687
Income taxes paid		(10,929)	(17,985)
Interest income received		13,484	13,239
Interest paid		(23)	(46)
Dividend income received		132	210
Net cash inflow from operating activities		27,999	87,105
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(29)	(73)
Purchase of intangible assets		(759)	(988)
Net cash outflow from investing activities		(788)	(1,061)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(237)	(263)
Dividend paid	(40,000)	(80,000)
Net cash outflow from financing activities	(40,237)	(80,263)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,026)	5,781
CASH AND CASH EQUIVALENTS AT 1 JANUARY	32,212	26,431
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19,186	32,212

Cash and cash equivalents comprised:

Cash and bank balances	19,186	24,562
Fixed and call deposits with licensed financial Institutions with maturity of equal and less than 3 months	-	7,650
	19,186	32,212

Reconciliation of liabilities arising from financing activity:

		Cash changes		Non-cash changes		
	Balance as at 01.01.2022 /2021	Net cash flow from operating activities	Net cash flow from financing activities	Effect of lease modification	Interest paid on lease liabilities	Balance as at 31.12.2022 /2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022						
Lease Liabilities	1,114	(23)	(237)	-	23	877
2021						
Lease Liabilities	1,582	(46)	(263)	(205)	46	1,114

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

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

1 CORPORATE INFORMATION

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

There has been no significant change in the principal activity during the financial year.

The Company is a public limited liability company, incorporated under the Companies Act 2016 and FSA and domiciled in Malaysia. The registered office and principal place of business of the Company are located at Level 29, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur and Level 13, Menara AIA, 99 Jalan Ampang, 50450 Kuala Lumpur respectively.

The immediate holding company of the Company is AIA Bhd., a company incorporated in Malaysia. The Directors regard AIA Group Limited, a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited, as the ultimate holding company.

The financial statements are authorised for issue by the Board on 22 March 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements of all the years presented.

2.1 Basis of preparation

The financial statements of the Company are prepared under the historical cost convention, except as disclosed in the summary of significant accounting policies and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The preparation of financial statements in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires Directors to exercise judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual result may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.4 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

(a) Business combination under common control

Business combinations under common control are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, the income statement includes the results of the acquired business from the date of combinations. The assets and liabilities of the acquired business are accounted for at the date of combination, based on the carrying amounts of the acquiree adjusted for alignment of accounting policies, if any. The excess of the cost of acquisition over the aggregate carrying amounts of assets and liabilities as of the date of the combination is taken to equity.

(b) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the original assessed standard of performance of the existing asset will flow to the Company.

The residual values, useful life and depreciation method are reviewed and adjusted, if applicable, at each date of the statement of financial position. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains and losses on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement and presented within net realised gains/(losses).

Depreciation of other property and equipment is calculated using the straight-line method to allocate cost less any residual value over the estimated useful life, as summarised as follows:

Furniture, fixtures and fittings	5 – 10 years
Office equipment	3 – 5 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each date of the statement of financial position. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement and presented within net realised gains/(losses) when the asset is derecognised.

Software

The cost of acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life, generally not exceeding a period of 5 years.

The cost of significant development of knowledge-based software and computer application to meet the unique requirements of the insurance business is capitalised and recognised as an intangible asset in accordance with MFRS 138. The Company establishes that these development costs will generate economic benefits beyond one year and are associated with identifiable software applications controlled by the commissioning, on a straight-line basis over its useful economic life. The carrying amount is assessed for impairment when there is an indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets

Property and equipment, intangible assets and other non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's or cash generating unit's fair value less costs of disposal and its value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statement. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(e) Financial assets and financial liabilities

The Company classifies its financial assets into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired or originated. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

The significant accounting policies by the categories above are as follows:

FVTPL

Financial assets at FVTPL are initially recorded at fair value. Subsequent to initial recognition, financial assets at FVTPL are remeasured at fair value. Fair value adjustments and realised gains and losses on derecognition are recognised in the income statement and presented within fair value gains/(losses). Transaction costs in respect of financial assets at FVTPL are expensed as they are incurred.

Dividend income from equity instruments is recognised as investment income in the income statement, generally when the security becomes ex-dividend or the right to receive payment is established. Interest income is recognised as investment income in the income statement of the Company using the effective interest rate method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

LAR

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those the Company intends to sell in the short term or that it has designated as FVTPL. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest rate method less any impairment losses.

Interest income from loans and receivables is recognised as investment income in the income statement using the effective interest rate method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

AFS

Financial assets, other than those at FVTPL and LAR, are classified as AFS. AFS category is used where the relevant investments backing the insurance contract liabilities and shareholders' equity are not managed on a fair value basis. These principally consist of the Company's debt securities. AFS financial assets are initially recognised at fair value plus attributable transaction costs. For AFS debt securities, the difference between their cost and par value is amortised. AFS financial assets are subsequently measured at fair value.

Interest income from debt securities classified as AFS is recognised as investment income in the income statement using the effective interest rate method.

Unrealised gains and losses on securities classified as AFS are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences on monetary AFS investments, such as debt securities, and impairment of AFS financial assets are recognised under "other operating income/(expense)" in the income statement.

Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses on monetary AFS investments, are recorded in a separate fair value reserve within equity.

On derecognition, the cumulative fair value gains and losses previously reported in equity are transferred to the income statement and presented within net realised gains/(losses).

Financial liabilities

All financial liabilities are initially recorded at fair value. Subsequent to initial recognition, financial liabilities are carried at amortised cost using effective interest rate method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(f) Fair value of financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Company has access. The fair values of financial instruments traded in active markets (such as financial instruments at FVTPL and AFS) are based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price. The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions at the date of each statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the statement of financial position.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value, i.e. the cost of the deposits/placements and accrued interest.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Impairment of financial assets

General

Financial assets are assessed for impairment on a regular basis. A financial asset is impaired if its carrying value exceeds the estimated recoverable amount and there is objective evidence of impairment to the financial asset. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset, or group of financial assets, is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Impairment of financial assets (continued)

General (continued)

Objective evidence that a financial asset, or group of assets, is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor; or
- a breach of contract, such as a default or delinquency in payments; or
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data, including market prices, indicating that there is a potential decrease in the estimated future cash flows since the initial recognition of those assets, including:
  - adverse changes in the payment status of issuers
  - national or local economic conditions that correlate with increased default risk.

The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, impairment is considered to have taken place if it is probable that the Company will not be able to collect principal and/or interest due according to the contractual terms of the instrument. When impairment is determined to have occurred, the carrying amount is decreased through a charge to the income statement. The carrying amount of receivables is reduced through the use of an allowance account, and the amount of any allowance is recognised as an impairment loss in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(g) Impairment of financial assets (continued)

<u>**AFS financial assets**</u>

When a decline in the fair value of an AFS financial asset has been recognised in shareholders' equity and there is objective evidence that the financial asset is impaired, the cumulative loss already recognised directly in shareholders' equity is recognised in the income statement. The Company generally considers an AFS debt security for evidence of impairment when it is identified as credit impaired. In the absence of any other evidence of credit impairment, a debt security would be assessed for impairment when there is a significant decline in fair value.

If the fair value of a debt security classified as AFS increases in a subsequent period, and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Where, following the recognition of an impairment loss in respect of an AFS debt security, the financial asset suffers further decline in value, such further decline are recognised as an impairment only in the case when objective evidence exists of a further impairment event to which the losses can be attributed.

(h) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

(i) Equity instruments

<u>**Ordinary share capital**</u>

Issued capital represents the nominal value of shares issued. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue.

<u>**Dividends on ordinary share capital**</u>

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the date of the statement of financial position. A dividend proposed or declared after the date of the statement of financial position, but before the financial statements are authorised for issue, is not recognised as a liability at the date of statement of financial position. Upon the dividend becoming payable, it will be accounted for as a liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(j) Product classification

The Company issue contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determine whether they have significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

(k) Insurance contracts

Gross premium

Gross premium income is recognised in the period in respect of risks assumed during that particular period.

Acquisition costs and deferred acquisition costs ("DAC")

The costs of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the period in which it is probable, they give rise to income.

Commission costs are deferred to the extent that these costs are recoverable out of future premium. All other acquisition costs are charged to the income statement in the period in which they are incurred.

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the terms of expected future premiums. Amortisation is recognised in the income statement.

An impairment review is performed at each date of the statement of financial position or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement.

DAC is also considered in the liability adequacy test for each accounting period. DAC is derecognised when the related contracts are either settled or disposed of.

DAC is netted against premium liabilities in the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contracts (continued)

Claims and expenses

Claims and losses adjustment expenses are charged to the income statement as incurred based on the estimated liabilities for compensation owed to policyholders or third parties damaged by the policyholders. They include direct and indirect claims settlements costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company.

General insurance contracts liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise of (i) unearned premium reserves and (ii) claims liabilities.

(i) Unearned premium reserves

Unearned Premium Reserves ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining UPR at the date of the statement of financial position, the method that most accurately reflects the actual unearned premiums is used as follows:

(i) 1/24th method for all other classes of Malaysian policies; and

(ii) time apportionment method for non-annual policies.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premium. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions and a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall fund level. The current estimate of future contractual cash flow is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

If these estimates show that the carrying amount of the unearned premium less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(k) Insurance contracts (continued)

<u>Claims and expenses</u> **(continued)**

(ii) Claims liabilities

Claims liabilities are determined based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position.

The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions at best estimate and a PRAD calculated at the overall fund level. The liabilities are not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The liability adequacy test has been in-built in the estimation of claims liabilities and hence no separate assessment is carried out.

(l) Reinsurance

The Company cedes reinsurance in the normal course of business, with retentions varying by line of business. The cost of reinsurance is accounted for over the life of the underlying reinsured policy contracts, using assumptions consistent with those used to account for such policies/contracts.

Premiums ceded and claims reimbursed are recognised in the same accounting period as the original policy/contract in which the reinsurance relates and are presented on a gross basis in the income statement.

Fee income derived from reinsurers in the course of reinsurance are credited to the income statement in the financial year in which they are earned.

Reinsurance assets consist of amounts receivable in respect of ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured's insurance contract or benefits paid and in accordance with the relevant reinsurance contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(l) Reinsurance (continued)

To the extent that reinsurance contracts principally transfer financial risk (as opposed to insurance risk), they are accounted for directly through the statement of financial position and are not included in reinsurance assets or liabilities. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment losses in the income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Company will receive from the reinsurer can be reliably measured.

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed facultative reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Premiums, claims and other transactions costs on assumed treaty reinsurance are accounted for upon notification by the ceding companies or upon receipt of the statements of accounts.

(m) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment losses in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. These processes are described in Note 2.2(h) to the financial statements.

(n) Other financial liabilities and insurance payables

Other liabilities and payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(o) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hands, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purposes. The Company classifies the cash flows for purchase and disposal of investments in financial assets in its operating cash flows as the purchases are funded from the cash flows predominantly associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims benefits.

(q) Leases

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Leases (continued)

(i) Lease term (continued)

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(q) Leases (continued)

(iii) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in income statement in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

(ii) Post retirement benefit obligations

Defined contribution plans

As required by law, the Company makes contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Share-based compensation plans

AIA Group Limited ("AIAGL") launched a number of share-based compensation plans, under which the Company receives services from the employees, Directors and Officers as consideration for the shares and/or options of AIAGL. These sharebased compensation plans comprise the Share Option Scheme ("SO Scheme"), the Restricted Share Unit Scheme ("RSU Scheme") and the Employee Share Purchase Plan ("ESPP").

The AIA Group's share compensation plans offered to the Company's employees are equity-settled plans. Under the equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of AIAGL's shares and/or options is recognised as an expense in the income statements over the vesting period with a corresponding amount recorded in equity. Any amounts recharged from AIAGL related to equity-settled share-based payment arrangements are offsetted against the amounts recorded in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or options granted. Non-market vesting conditions are included in assumptions for the number of shares and/or options that are expected to be vested. At each period end, the Company revises its estimates of the number of shares and/or options that are expected to be vested. Any impact of the revision to original estimates is recognised in income statements with a corresponding adjustment to equity. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Share-based compensation plans (continued)

The Company estimates the fair value of options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk free interest rate, expected dividend rate and the expected life of the option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

(s) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the financial statements are presented in thousands of Ringgit Malaysia (“RM”), which is the Company’s presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items carried at fair value are translated at the rates prevailing on the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not re-translated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

(t) Taxation

Income tax on income statement for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the date of statement of financial position.

Deferred tax is provided for, using the liability method, on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised in other comprehensive income or directly in equity in which case the deferred tax is also charged or credited in other comprehensive income.

(u) Other revenue recognition

Gains and losses on disposal of investments are determined by comparing the sales proceeds and the carrying amounts of the investments and the resulting difference is credited or charged to the income statement. Cost is determined by specific identification.

(v) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Standards, amendments to published standards and interpretations to existing standards that are effective and relevant to the Company's financial year beginning on or after 1 January 2022

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

- Amendments to MFRS 116, Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to MFRS 137, Onerous Contracts - Cost of Fulfilling a Contract;
- Annual Improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"
- Amendment to MFRS 141, Taxation in Fair Value Measurements;
- Amendments to MFRS 3, Reference to the Conceptual Framework; and
- Amendment to MFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021.

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

With effect from 2023, the Company will apply MFRS 9 and MFRS 17. These standards will have a material impact on the Company's financial statements. Further information on these standards is given below:

(i) MFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. MFRS 9 is mandatorily effective for financial periods beginning on or after 1 January 2018 (except for prepayment features with negative compensation and modifications or exchange of financial liabilities that do not result in derecognition which are effective for financial periods beginning on or after 1 January 2019), but the Company has elected to apply the temporary exemption described further below:

- MFRS 9 requires financial assets to be classified into separate measurement categories: those measured as at fair value with changes either recognised in profit or loss (FVTPL) or in other comprehensive income (FVOCI) and those measured at amortised cost. These supersede MFRS 139's categories of held to maturity investments, loans and receivables, available for sale financial assets and financial assets measured at FVTPL. The determination is made at initial recognition depending on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. An option is also available at initial recognition to irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. In addition, an expected credit loss (ECL) model replaces the incurred loss impairment model under MFRS 139.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company financial year beginning on or after 1 January 2022 (continued)

- The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under MFRS 139. The new impairment model applies to financial assets measured at amortised cost and debt securities at FVOCI. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. In addition, the new standard revises the hedge accounting model to more closely align with the entity's risk management strategies.

- On 12 September 2016, the Malaysian Accounting Standards Board ("MASB") issued amendments to MFRS 4, Insurance Contracts, Applying MFRS 9 Financial Instruments with MFRS 4, which provides two alternative measures to address the different effective dates of MFRS 9 and MFRS 17, Insurance Contracts. These measures include a temporary option (known as the "deferral approach") for companies whose activities are predominantly connected with insurance to defer the effective date of MFRS 9 until the earlier of the effective date of MFRS 17 and financial reporting periods beginning on or after 1 January 2021, as well as an approach that allows an entity to remove from profit or loss the effects of certain accounting mismatches that may occur before MFRS 17 is applied. On 17 August 2020, the MASB issued the amendments to MFRS 4 and MFRS 17, the effective date of MFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023, and that the exemption currently in place for some insurers, including the Company, regarding the application of MFRS 9 will be extended to enable the implementation of both MFRS 9 and MFRS 17 at the same time. On 30 December 2021, the MASB issued the amendment of MFRS 17 relating to the presentation of comparative information of financial assets on initial application of MFRS 17. The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of MFRS 17. The overlay allows all financial assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of MFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company financial year beginning on or after 1 January 2022 (continued)

- The Company performed an initial eligibility assessment and met the MFRS 9 requirements for the deferral approach, and accordingly has decided to apply MFRS 9 to annual reporting periods beginning 1 January 2023. Subsequent to the initial eligibility assessment, there has been no change in the Company's activities that requires a reassessment of the eligibility test. Additional disclosures as required under Amendments to MFRS 4 are included in the financial statements as stated in Note 34.

(ii) MFRS 17, Insurance Contracts (previously MFRS 4 Phase II) will replace the current MFRS 4, Insurance Contracts. MFRS 17 has been issued but is not effective for the financial year ended 31 December 2022 and has not been early adopted:

- MFRS 17 includes fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, MFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company financial year beginning on or after 1 January 2022 (continued)

(iii) The impact of initial application of MFRS 9 and MFRS 17 includes the following:

- Changes in accounting policies resulting from the adoption of MFRS 9 shall be applied retrospectively, except that the Company has elected to restate the comparatives and apply classification overlay in the comparative period presented as permitted under MFRS 17. The classification overlay shall be applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial application of MFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Company has applied the impairment requirements of MFRS 9.

- Financial investments will be reclassified from current statement of financial position line items to the corresponding MFRS 9 classifications, which in some cases may include changes in the measurement basis (for example, from available-for-sale debt securities to debt securities at FVTPL).

- Changes in accounting policies resulting from the adoption of MFRS 17 shall apply full retrospective approach to the extent practicable. The Company adopts the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the MFRS 17 transition date.

- Insurance contract balances will be remeasured under MFRS 17 principles, derecognising the related liabilities and previously reported balances that would not have existed if MFRS 17 had always been applied. These included among others, insurance receivables and payables, that are attributable to existing insurance contracts. Under MFRS 17, these are included in the measurement of the insurance contracts.

- The combined effect on the Company’s statement of financial position on transition to MFRS 9 and MFRS 17 as at 1 January 2022 is to increase total equity by 31%. The preparation of the 2022 comparative and the 1 January 2023 results under the new standard is progressing as planned.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Standards, amendments to published standards and interpretations to existing standards that are relevant to the Company but are not effective for the financial year ended 31 December 2022 and have not been early adopted

The Company will apply the new standards, amendments to standards and interpretations in the following period and not expected to have a material impact on the financial position or results.

- Amendments to MFRS 112, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (2023);
- Amendments to MFRS 101, Classification of Liabilities as Current or Non-Current (2024); and
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback (2024).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Critical accounting estimates and judgements in applying accounting policies

In the preparation of the financial statements, management has made judgements and estimates in applying accounting policies in respect of the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the judgements made by management that have the most significant effect on the amounts recognised in the financial statements:

Valuation of general insurance contract liabilities

For general insurance contracts, the following methods are considered to estimate the ultimate cost of outstanding claims:

- Link Ratio method: This method identifies payment patterns experienced in the past and projects these patterns over future years.
- Expected Loss Ratio method: This method uses the earned premium as exposure and applies the Ultimate Loss Ratio (“ULR”) to the earned premium.
- Bornhuetter-Ferguson (“BF”) method: This method is an extension of the Link Ratio method, with a BF adjustment based on claims paid and incurred developments. It basically assumes that the claim experience for an accident year will produce a particular loss ratio and adjusted with subsequent actual claim experience.

The estimates of general insurance contract liabilities are therefore sensitive to various factors and uncertainties. These uncertainties may arise from changes in expected loss ratio used for each accident years and changes in average claim settlement period. Thus, the general settlement of eventual insurance contract liabilities may vary from the estimates.

The key assumptions used and the sensitivity analysis on the key assumptions as at 31 December 2022, based on the change in one specific assumption while holding all other assumptions constant are disclosed in Note 28 to the financial statements.

3 PROPERTY AND EQUIPMENT

	Furniture, fixtures and fittings RM'000	Office equipments RM'000	Total RM'000
Cost			
At 1 December 2020	363	188	551
Additions	-	73	73
At 31 December 2021/ At 1 January 2022	363	261	624
Additions	-	29	29
Written Off	-	(8)	(8)
At 31 December 2022	363	282	645
Accumulated depreciation			
At 1 December 2020	165	46	211
Depreciation charge for the financial period (Note 24)	48	64	112
At 31 December 2021/ At 1 January 2022	213	110	323
Depreciation charge for the financial year (Note 24)	49	90	139
Written Off	-	(8)	(8)
At 31 December 2022	262	192	454
Net Book Value at 31 December 2022	101	90	191
Net Book Value at 31 December 2021	150	151	301

4 LEASES

The statement of financial position shows the following amounts relating to leases:

	2022 RM'000	2021 RM'000
Right-of-use assets		
Properties	817	1,051
Lease liabilities		
Current	243	237
Non current	634	877
	877	1,114

4 LEASES (CONTINUED)

The income statement shows the following amounts relating to leases:

	2022 RM'000	2021 RM'000
Depreciation charge of right-of-use assets		
- Properties (Note 24)	234	266
Interest expense (included in other operating expenses)	23	46
	257	312

The total cash outflow for leases for the financial year ended 31 December 2022 and December 2021 was RM260,631 and RM309,000 respectively.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 2.35% (2021: 2.35%)

5 INTANGIBLE ASSETS

	Software RM'000	Work-in-progress RM'000	Total RM'000
Cost			
At 1 December 2020	4,377	1,832	6,209
Additions	-	988	988
At 31 December 2021/At 1 January 2022	4,377	2,820	7,197
Additions	-	759	759
At 31 December 2022	4,377	3,579	7,956
Accumulated amortisation			
At 1 December 2020	(3,485)	-	(3,485)
Amortisation for the financial year (Note 24)	(408)	-	(408)
At 31 December 2021/At 1 January 2022	(3,893)	-	(3,893)
Amortisation for the financial year (Note 24)	(304)	-	(304)
At 31 December 2022	(4,197)	-	(4,197)
Net Book Value at 31 December 2022	180	3,579	3,759
Net Book Value at 31 December 2021	484	2,820	3,304

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2022 RM'000	2021 RM'000
At fair value		
Malaysian government securities	11,428	26,200
Cagamas papers	5,027	-
Unquoted corporate debt securities	282,136	277,935
Mutual fund	222,469	194,343
Accrued interest	3,072	3,304
	524,132	501,782
Carrying values of financial instruments		
At 1 January	501,782	540,977
Purchases	138,877	114,683
Maturities	(12,100)	(17,000)
Disposals at amortised cost	(98,977)	(116,669)
Fair value losses recorded in other comprehensive income	(7,926)	(19,896)
Realised losses transferred to income statement (Note 21)	3,029	148
Movement in accrued interest	(232)	52
Net amortisation of premiums (Note 20)	(321)	(513)
At 31 December	524,132	501,782
Current	35,266	14,528
Non current	488,866	487,254
	524,132	501,782

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Fair value of financial instruments

The following tables show the financial instruments recorded at fair value analysed by the different level of fair values as follows:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2022				
Malaysian government securities	11,428	-	11,428	-
Cagamas papers	5,027	-	5,027	-
Unquoted corporate debt securities	282,136	-	282,136	-
Mutual fund	222,469	-	222,469	-
Accrued interest	3,072	-	3,072	-
Total assets on a recurring fair value measurement basis	524,132	-	524,132	-

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

Fair value hierarchy for financial and non-financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined as per Note 12 to the financial statements.

7 FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

	2022 RM'000	2021 RM'000
At fair value		
Equity securities of corporations		
- Unquoted	2,334	2,385
Carrying values of financial instruments		
At 1 January	2,385	5,395
Disposal	-	(2,841)
Fair value loss recorded in income statement (Note 22)	(51)	(169)
At 31 December	2,334	2,385
Current	-	-
Non current	2,334	2,385
	2,334	2,385

Fair value of financial instruments

The following tables show the financial instruments recorded at fair value analysed by the different basis of fair values as follows:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2022				
Equity securities of corporations				
- Unquoted	2,334	-	2,334	-
Total assets on a recurring fair value measurement basis	2,334	-	2,334	-
At 31 December 2021				
Equity securities of corporations				
- Unquoted	2,385	-	2,385	-
Total assets on a recurring fair value measurement basis	2,385	-	2,385	-

Fair value hierarchy for financial and non-financial instruments

A level is assigned to each fair value measurement based on the significance of the input to the fair value measurement in its entirety. The three-level hierarchy is defined as per Note 12 to the financial statements.

8 LOANS AND RECEIVABLES

At amortised cost	2022 RM'000	2021 RM'000
Staff loans	155	203
	155	203
Other receivables:		
Assets held under the Malaysian Motor Insurance Pool ("MMIP")	40,169	44,529
Others	86	272
	40,255	44,801
Total	40,410	45,004
Current	40,366	44,885
Non current	44	119
	40,410	45,004

At fair value	2022 RM'000	2021 RM'000
Staff loans	387	250
	387	250

The balance with MMIP as at 31 December 2022 is a net receivable of RM40,168,522 (2021: RM44,529,081) after setting off the amounts receivables from MMIP against the Company's share of MMIP's claims and premium liabilities of RM6,277,531 (2021: RM5,933,938) included in Note 15 to the financial statement.

9 REINSURANCE ASSETS

	2022 RM'000	2021 RM'000
Reinsurance of insurance contracts	40,139	27,435
Current	23,375	14,074
Non current	16,764	13,361
	40,139	27,435

10 INSURANCE RECEIVABLES

	2022 RM'000	2021 RM'000
Outstanding premiums including agents' balances	43,164	37,958
Amount due from reinsurers	599	159
	43,763	38,117
Allowance for impairment losses	(186)	(228)
	43,577	37,889
Receivable within 12 months	43,577	37,889

10 INSURANCE RECEIVABLES (CONTINUED)

Offsetting of financial assets and financial liabilities

The following table shows the financial assets and financial liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements at each financial year end:

	Gross amount of recognised financial assets/(liabilities) RM'000	Gross amount of recognised financial assets/(liabilities) set off in the statement of financial position RM'000	Net amount of financial assets/(liabilities) presented in the statement of financial position RM'000
2022			
Insurance receivables	43,577	-	43,577
Insurance payables	(11,147)	-	(11,147)
	32,430	-	32,430
2021			
Insurance receivables	37,889	-	37,889
Insurance payables	(11,414)	-	(11,414)
	26,475	-	26,475

Certain amount due from reinsurers and amount due to reinsurers were set off for presentation purpose because they have enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

11 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offsetted when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net deferred tax assets/liabilities shown in the statement of financial position are determined after appropriate offsetting.

	2022	**2021**
	RM'000	**RM'000**
Presented after appropriate offsetting as follows:		
Deferred tax assets/(liabilities)	413	(668)
Current	17	(19)
Non current	396	(649)
	413	(668)

	2022	**2021**
	RM'000	**RM'000**
At 1 January/1 December	(668)	(4,565)
Recognised in:		
Income statement (Note 25)	109	74
Other comprehensive income	972	3,823
At 31 December	413	(668)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Unutilised tax losses RM'000	Unrealised amortisation RM'000	Total RM'000
At 31 December 2022			
Deferred tax assets at 1 January 2022	-	173	173
Recognised in:			
Income statement	-	25	25
Transfer from deferred tax liabilities	-	-	215
Deferred tax assets at 31 December 2022 (before offsetting)	-	198	413
Offsetting			-
Deferred tax assets at 31 December 2022 (after offsetting)			413

	Accelerated depreciation RM'000	Revaluation of investments RM'000	Total RM'000
Deferred tax liabilities at 1 January 2022	(6)	(835)	(841)
Recognised in:			
Income statement	72	12	84
Other comprehensive income	-	972	972
Transfer to deferred tax assets	(66)	(149)	(215)
Deferred tax liabilities at 31 December 2022 (before offsetting)	-	-	-
Offsetting			-
Deferred tax liabilities at 31 December 2022 (after offsetting)			-

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Unutilised tax losses RM'000	Unrealised amortisation RM'000	Total RM'000
At 31 December 2021			
Deferred tax assets at 1 January 2021	-	203	203
Recognised in:			
Income statement	-	(30)	(30)
Deferred tax assets at 31 December 2021 (before offsetting)	-	173	173
Offsetting			(173)
Deferred tax assets at 31 December 2021 (after offsetting)			-

	Accelerated depreciation RM'000	Revaluation of investments RM'000	Total RM'000
Deferred tax liabilities at 1 January 2021	(60)	(4,708)	(4,768)
Recognised in:			
Income statement	54	50	104
Other comprehensive income	-	3,823	3,823
Deferred tax liabilities at 31 December 2021 (before offsetting)	(6)	(835)	(841)
Offsetting			173
Deferred tax liabilities at 31 December 2021 (after offsetting)			668

12 FAIR VALUE MEASUREMENTS

Fair value measurements on a recurring basis

The Company measures at fair value for financial instruments classified at fair value through profit or loss, available for sale and investments in non-consolidated investment funds on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The Company does not have assets or liabilities measured at fair value on a non-recurring basis during the financial year ended 31 December 2022.

The following methods and assumptions were used by the Company to estimate the fair value of financial instruments:

Level 1 - Financial instruments measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Level 2 - Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company’s own models whereby the majority of assumptions are market observable.

12 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

Level 3 - Financial instruments measured in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category is unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Company’s own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company’s own data.

The Company’s policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the financial year ended 31 December 2022, there is no transfer of assets measured at fair value from Level 1 to Level 2. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. There is no transfer of assets from Level 2 to Level 1 during the financial year ended 31 December 2022.

The Company’s Level 2 financial instruments include equity securities. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from third-party pricing services and brokers are not available, internal valuation techniques and observable inputs will be used to derive the fair value for the financial instruments.

The Company has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Company in general uses third-party pricing providers and, only in rare cases when no third-party prices exist, will use prices derived from internal models. The Company is required to review the reasonableness of the prices used and report price exceptions, if any. The Company’s investment team analyses reported price exceptions and reviews price challenge responses from third party pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Company Pricing Committee (“GPC”) which is part of the Company’s wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

A significant increase/(decrease) in any of the unobservable input may result in a significantly lower/(higher) fair value measurement. The Company has subscriptions to private pricing services for gathering such information. If the information from private pricing services is not available, the Company uses the proxy pricing method based on internally developed valuation inputs.

12 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value measurements on a recurring basis (continued)

Fair value for assets and liabilities for which fair value is disclosed at reporting date

A summary of the fair value hierarchy of assets and liabilities not carried at fair value but for which fair value is disclosed as at 31 December 2022 and 31 December 2021 is set out below.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2022				
Financial assets				
Loans and receivables	-	-	40,410	40,410
Insurance receivables	-	-	43,577	43,577
	-	-	83,987	83,987
Financial liabilities				
Insurance payables	-	-	11,147	11,147
Other payables	-	-	34,002	34,002
	-	-	45,149	45,149
At 31 December 2021				
Financial assets				
Loans and receivables	-	-	44,801	44,801
Insurance receivables	-	-	37,889	37,889
	-	-	82,690	82,690
Financial liabilities				
Insurance payables	-	-	11,414	11,414
Other payables	-	-	23,519	23,519
	-	-	34,933	34,933

13 SHARE CAPITAL

	Number of shares		Amount	
	2022	2021	2022	2021
	'000	'000	RM'000	RM'000
Issued and paid-up:				
Ordinary shares at the beginning/end of the financial year	190,000	190,000	190,000	190,000

	2022	2021
	RM'000	RM'000
Profit after tax attributable to the Company	35,047	54,721
Weighted average number of shares in issue during the financial year	190,000	190,000
Basic earnings per share (sen)	18.45	28.80

14 RETAINED EARNINGS

Under the single tier system, there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings as at the date of the statement of financial position.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2020. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than its internal target capital level or if the payment of dividend would impair its CAR position to below its internal target.

15 INSURANCE CONTRACT LIABILITIES

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2022			
Claims reported by policyholders	173,838	(23,396)	150,442
Incurred but not reported ("IBNR") claims	63,648	(11,370)	52,278
Claims liabilities (i)	237,486	(34,766)	202,720
Premium liabilities (ii)	121,180	(5,373)	115,807
	358,666	(40,139)	318,527
At 31 December 2021			
Claims reported by policyholders	138,521	(12,218)	126,303
Incurred but not reported ("IBNR") claims	79,138	(12,110)	67,028
Claims liabilities (i)	217,659	(24,328)	193,331
Premium liabilities (ii)	114,112	(3,107)	111,005
	331,771	(27,435)	304,336

(i) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2022			
At 1 January 2022	217,659	(24,328)	193,331
Claims incurred in the current accident year	86,684	(14,399)	72,285
Movement in claims incurred in prior accident years	30,055	(3,825)	26,230
Claims paid during the financial year	(90,252)	7,180	(83,072)
Others	(6,165)	-	(6,165)
Change in expense liabilities and risk margin	(495)	606	111
At 31 December 2022	237,486	(34,766)	202,720
At 31 December 2021			
At 1 January 2021	191,123	(15,773)	175,350
Claims incurred in the current accident year	71,568	(10,968)	60,600
Movement in claims incurred in prior accident years	21,876	(1,400)	20,476
Claims paid during the financial year	(67,425)	5,491	(61,934)
Others	(5,002)	-	(5,002)
Change in expense liabilities and risk margin	5,519	(1,678)	3,841
At 31 December 2021	217,659	(24,328)	193,331

15 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Premium liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
At 31 December 2022			
At 1 January 2022	114,112	(3,107)	111,005
Premium written during the financial year (Note 19)	305,651	(20,729)	284,922
Premium earned during the financial year	(298,583)	18,463	(280,120)
At 31 December 2022	121,180	(5,373)	115,807
At 31 December 2021			
At 1 January 2021	114,214	(2,901)	111,313
Premium written during the financial year (Note 19)	293,867	(19,370)	274,497
Premium earned during the financial year	(293,969)	19,164	(274,805)
At 31 December 2021	114,112	(3,107)	111,005

16 INSURANCE PAYABLES

	2022 RM'000	2021 RM'000
Due to reinsurers	3,151	3,329
Due to agents and insureds	7,996	8,085
	11,147	11,414

The carrying amounts disclosed above approximate their fair values as at the date of the statement of financial position. All amounts are payable within one year.

Offsetting of financial assets and financial liabilities

Certain amounts due from reinsurers and amounts due to reinsurers were set off for presentation purpose because they have the enforceable right to set off and they intend either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously as disclosed in Note 10 to the financial statements.

17 OTHER PAYABLES

	2022 RM'000	2021 RM'000
Amount due to immediate holding company (Note 26(b))	8,479	-
Amount due to penultimate company	640	833
Amount due to related companies	50	58
Accruals	19,246	19,649
Other payables	5,587	2,979
	34,002	23,519

The carrying amounts disclosed above approximate their fair values as at the date of the statement of financial position. All amounts are payable within one year.

18 OPERATING REVENUE

	2022 RM'000	2021 RM'000
Gross earned premiums (Note 19(a))	298,583	293,969
Investment income (Note 20)	17,347	15,370
	315,930	309,339

19 NET EARNED PREMIUMS

	2022 RM'000	2021 RM'000
(a) Gross earned premiums		
Gross premiums	305,651	293,867
Change in premium liabilities	(7,068)	102
	298,583	293,969
(b) Premiums ceded to reinsurers		
Gross premiums ceded	(20,729)	(19,370)
Change in premium liabilities	2,266	206
	(18,463)	(19,164)
Net earned premiums	280,120	274,805

20 INVESTMENT INCOME

	2022 RM'000	2021 RM'000
Financial assets at FVTPL – designated upon initial recognition:		
Dividend income:		
- equity securities unquoted in Malaysia	132	210
AFS financial assets:		
Dividend income:		
- mutual funds	4,221	3,070
Interest income	13,410	13,133
Amortisation of premiums – net (Note 6)	(321)	(513)
Loan and receivables:		
Interest income	15	28
Cash and cash equivalents:		
Interest income	433	252
Others	(527)	(794)
	17,363	15,386
Less:		
Investment expenses	(16)	(16)
	17,347	15,370

21 NET REALISED LOSSES

	2022 RM'000	2021 RM'000
AFS financial assets		
Realised (losses)/gains:		
Debt securities		
- unquoted in Malaysia	(1,036)	170
Equity securities		
- unquoted in Malaysia	-	(8)
Mutual fund	(1,993)	(310)
Total net realised losses	(3,029)	(148)

22 FAIR VALUE LOSSES

	2022 RM'000	2021 RM'000
Financial assets at FVTPL		
- designated upon initial recognition (Note 7)	(51)	(169)

23 OTHER OPERATING EXPENSES

	2022 RM'000	2021 RM'000
Foreign exchange losses:		
- realised	(51)	(448)
Reversal of/(allowance for) impairment losses:		
- insurance receivables	43	1,084
- loans and receivables	19	(259)
Write off of allowance for bad debts:		
- insurance receivables	(11)	(239)
Others	(380)	(920)
	(380)	(782)

24 MANAGEMENT EXPENSES

	2022 RM'000	2021 RM'000
Advertising	262	459
Fees payable to PricewaterhouseCoopers PLT		
- Statutory audit	230	218
- Audit related services	558	-
- Non-audit services	40	-
Staff salaries and bonuses	5,607	10,292
Contribution to EPF	783	1,627
Staff benefits	569	512
Management fees (Note 26(a))	44,049	29,237
Travelling expenses	7	8
Printing and stationery	917	945
Postage and telecommunication	202	279
Directors' remuneration and other emoluments	708	732
Depreciation		
- property and equipment (Note 3)	139	112
- right-of-use assets (Note 4)	234	266
Amortisation		
- intangible assets (Note 5)	304	408
IT expenses	23,757	16,051
Legal expenses	157	144
Other expenses	14,209	13,673
	92,732	74,963

(i) The remuneration of the Chief Executive Officer and Directors of the Company for the financial year are as follows:

	2022 RM'000	2021 RM'000
Chief Executive Officer:		
Salaries, allowances and benefits-in-kind	1,894	1,568
Defined contribution plans	229	194
	2,123	1,762
Non-executive Directors:		
Directors' fee		
- Ching Yew Chye @ Chng Yew Chye	160	160
- Chong Kin Leong	152	152
- Kang Ah Lai @ Kang Hak Koon	136	136
- Khadijah binti Abdullah	-	77
- Tunku Dato' Mohmood Fawzy bin Tunku Muhiyiddin	154	75
	602	600

24 MANAGEMENT EXPENSES (CONTINUED)

(i) The remuneration of the Chief Executive Officer and Directors of the Company for the financial year are as follows: (continued)

	2022 RM'000	2021 RM'000
Non-executive Directors: (continued)		
Allowances		
- Ching Yew Chye @ Chng Yew Chye	25	30
- Chong Kin Leong	23	31
- Kang Ah Lai @ Kang Hak Koon	30	36
- Khadijah binti Abdullah	-	17
- Tunku Dato' Mohmood Fawzy bin Tunku Muhiyiddin	28	18
	106	132
Total	2,831	2,494

The number of directors whose total remuneration received during the financial year that fall within the following bands are as follows:

	Number of Directors	
	2022	2021
Non-executive Directors:		
RM0 – RM50,000	-	-
RM50,001 – RM100,000	-	2
RM100,001 – RM200,000	4	3

25 TAX EXPENSE

	2022 RM'000	2021 RM'000
Tax expense/(credit):		
- current tax	7,565	15,152
- deferred tax (Note 11)	(109)	(74)
	7,456	15,078
Current tax		
Current financial year	7,565	15,152
	7,565	15,152
Deferred tax		
Origination and reversal of temporary differences	(581)	(1,093)
Over provision in prior financial years	472	1,091
	(109)	(74)
Total	7,456	15,078

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

	2022 RM'000	2021 RM'000
Profit before tax	42,503	69,799
Tax at Malaysian statutory tax rate of 24%	10,201	16,751
Income not subject to tax	(3,444)	(1,664)
Expenses not deductible for tax	1,171	1,010
Over provision of tax expense in prior financial years	(472)	(1,019)
Tax expense	7,456	15,078

26 RELATED PARTY DISCLOSURES

In the normal course of business, the Company undertakes various transactions with its immediate holding company and other related corporations deemed related parties by virtue of them being members of AIA Group Limited and its subsidiaries ("AIA Group"). These transactions were carried out on terms and conditions negotiated between the related parties.

(a) Significant related party transactions

The following are the significant transactions held by the Company with the related parties during the financial year:

	2022 RM'000	2021 RM'000
Penultimate company:		
AIA Company Ltd.		
- Technical and consultation services	(642)	(886)
Immediate holding company:		
AIA Bhd.		
- Outsourcing fees (Note 24)	(43,493)	(28,653)
- Information technology services	(5,020)	(3,591)
- Rental of office premises	(462)	(536)
- Vitality and group insurance	(126)	(96)
- Technical and consultation services	(220)	(196)
- Premium income	38	93

26 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Significant related party transactions (continued)

The following are the significant transactions held by the Company with the related parties during the financial year: (continued)

	2022	**2021**
	RM'000	**RM'000**
Fellow related companies:		
AIA Shared Services Sdn. Bhd.		
- Outsourcing fees (Note 24)	(26)	(86)
- Premium income	8	10
AIA Health Services Sdn. Bhd.		
- Outsourcing fees (Note 24)	(530)	(499)
AIA Pension and Asset Management.		
- Premium income	-	67

(b) Related party balances

	2022	**2021**
	RM'000	**RM'000**
Receivable		
Other receivables – AIA Bhd.	-	705
Payables		
Other payables - AIA Company Ltd.	(640)	(833)
Other payables - AIA Bhd. (Note 17)	(8,479)	-
Other payables - AIA Shared Services Sdn. Bhd.	(1)	(13)
Other payables - AIA Health Services Sdn. Bhd.	(49)	(45)
	(9,169)	(186)

The amounts due from/(to) related parties are unsecured, interest free and repayable within 30 days.

26 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

Members of key management personnel comprise those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Compensation of key management personnel during the financial year are as follows:

	2022 RM'000	2021 RM'000
Short-term employee benefits	3,305	5,196
Other long-term employee benefits	421	666
Fees and allowances	708	732
	4,434	6,594

Included in the compensation of key management personnel are:

	2022 RM'000	2021 RM'000
Chief Executive Officer:		
- Salaries, allowances and benefits-in-kind	1,894	1,568
- Defined contribution plans	229	194
	2,123	1,762

27 RISK MANAGEMENT

Risk Management Framework

The Company recognises the importance of sound risk management in every aspect of its business and for all stakeholders. The Company's Risk Management Framework ("RMF") does not seek to eliminate all risk but rather to identify, understand and manage them within acceptable limits in order to support the creation of long-term value.

The Company's RMF is built around developing an appropriate and mindful risk culture at every level of the organisation in support of our strategic objectives. The RMF provides the business with appropriate tools, processes and capabilities for the identification, assessment and, where required, upward referral of identified material risks for further evaluation.

Capital Management Framework

The Company actively manages its capital adequacy by taking into account the potential impact of business strategies on the Company's risk profile and overall resilience. This is in line with BNM Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") for Insurers and the Risk-Based Capital Framework for Insurers ("RBC Framework").

Under the RBC Framework, the Company has to maintain a capital adequacy level that is commensurate with its risk profiles at all times. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBC Framework, regulated by BNM.

The ICAAP is the overall process (including oversight and operational frameworks and processes) by which the Company ensures adequate capital to meet its capital requirements on an ongoing basis. The key elements of ICAAP includes Board and senior management oversight; comprehensive risk assessment; individual target capital level and stress testing; sound capital management and ongoing monitoring, reporting and review of the ICAAP.

A capital management plan has been established which list the thresholds that act as triggers for actions to ensure maintenance of appropriate capital levels at all times as well as the corresponding corrective actions that are required for different scenarios and at each specified thresholds. Results of stress tests shall be considered when evaluating the appropriateness of capital thresholds and corrective actions with consideration of the particular stage of the business cycle in which the Company is operating, given the potential changes in the external environment that could affect the risk profile.

The Company sets an Individual Target Capital Level ("ITCL") that reflects the overall risk tolerance and risk appetite set by the Board, its own risk profile and risk management practices. The Company shall operate at capital levels above ITCL at all times. The ITCL provides a robust threshold in the management of capital adequacy, where a breach of this level would trigger timely responses by management to restore capital to the ITCL and heighten the Board's scrutiny based on the Capital Management Plan.

The planning and assessment of capital and ITCL will be formally conducted by senior management at least annually or as and when the need arises. The result will be reported to the Board and/or the Board's RMC.

27 RISK MANAGEMENT (CONTINUED)

Governance and Regulatory Framework (continued)

The Company's risk governance framework is built on the "three lines of defence" model. With regards to risk management, the objective is to ensure that an appropriate framework is in place, including an independent system of checks and balances to provide assurance that risks are identified, assessed, managed and governed properly. The framework clearly defines roles and responsibilities for the management of risks between the executive management ("First Line"), Risk and Compliance ("Second Line") and Internal Audit ("Third Line") functions. While each line of defence is independent from the others, they work closely to ensure effective oversight.

The Company is required to comply with the requirements of the Financial Services Act ("FSA") 2013, relevant laws and regulations and guidelines including those from BNM and Persatuan Insurans Am Malaysia ("PIAM").

The Company has complied with the capital requirements prescribed by BNM during the reported financial year.

28 INSURANCE RISK

Insurance risk is the risk arising from changes in claims experience as well as more general exposure relating to the acquisition and persistency of insurance business.

The Company considers insurance risk to be a combination of the following component risks:

(a) Product risk;
(b) Pricing and underwriting risk;
(c) Lapse risk; and
(d) Reserving risk

The Company manages its exposure to insurance risk across a spectrum of components. The Company has adequate underwriting and actuarial resources and has implemented well-defined relevant guidelines and practices. The Company has established relevant expertise for the evaluation, pricing and underwriting of its products. The Company's Management Committee ("MC"), Product Governing Committee ("PGC"), Investment Committee ("IC") and Management Risk Management Committee ("MRMC") play an important oversight role in relation to these insurance related risks, as discussed below.

(a) Product risk

Product development process is overseen by PGC, which governs the products and pricing related guidelines. The Company seeks to manage this risk by carrying out robust pre-launch risk assessment for product related launches, as appropriate. The Company has adequate experience and has established expertise in identifying potential flaws in product development. The Company monitors closely the performance of products and focus on actively managing each part of the actuarial product control cycle, as necessary.

28 INSURANCE RISK (CONTINUED)

(b) Pricing and underwriting risk

The Company seeks to manage pricing and underwriting risk by adhering to its underwriting guidelines.

The Company maintains a team of underwriters who review and select risks consistent with acceptable risk profile and underwriting strategy. A second layer of underwriting review is conducted at the Company level for large risks. In circumstances, such as when the Company enters into new lines of business, products or segments, the Company may leverage the wider Group experience, industry statistics and/or reinsurers to obtain product pricing expertise for informed decision making.

The Company seeks to mitigate pricing risk by conducting regular monitoring and experience studies, reviewing internal and industry data, product design and claims management policies and procedures. The Company engages reinsurance solutions as a mitigation to manage concentration risk, where applicable.

(c) Lapse risk

Lapse risk refers to the possibility of actual lapse experience that diverges from the anticipated experience assumed when products were priced. It includes the potential financial loss incurred due to early termination of policies or contracts in circumstances where the acquisition costs incurred are no longer recoverable from future revenue. The Company carries out regular reviews of persistency experience and the results are assimilated into new and in-force product management.

(d) Reserving risk

The Company regularly reviews and establish relevant best practices to ensure the reserving risk is mitigated. The Company ensures that claims case reserves are set at the best estimate level by ensuring the relevant practices are in place for claims handling, claims reserving, claims recovery and litigation claims. The technical reserving to establish best estimates reserves is carried out by the valuation team. The aggregated case reserves determined case-by-case by the claims handlers for each reported claims; the Incurred But Not Reported ("IBNR") reserves covering the liability for not enough reported and for incurred but not yet reported claims (later reported claims); and best estimate is set at a level is neither deliberately overstated nor deliberately understated. The best estimates are calculated using standard actuarial projection methods. From time to time, risk assessment is carried out on the overall reserving practices in the Company.

28 INSURANCE RISK (CONTINUED)

The insurance risk of general insurance contracts consists of premium liabilities and claims liabilities. Premium liabilities represent the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Claims liabilities represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitely settled and the reserves are set up to cover these payments.

The table below shows the concentration of General insurance contract liabilities by type of contract.

	31 December 2022			31 December 2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Claims liabilities						
Personal accident	176,805	(31,852)	144,953	140,717	(12,753)	127,964
Motor	53,793	(1,592)	52,201	61,167	(1,760)	59,407
Fire	5,026	(505)	4,521	15,581	(9,810)	5,771
Miscellaneous and liabilities	1,862	(817)	1,045	194	(5)	189
Total	237,486	(34,766)	202,720	217,659	(24,328)	193,331
Premium liabilities						
Personal accident	85,003	(443)	84,560	90,170	(2,513)	87,657
Motor	22,170	(68)	22,102	20,354	(499)	19,855
Fire	4,930	(504)	4,426	3,312	(52)	3,260
Miscellaneous and liabilities	9,077	(4,358)	4,719	276	(43)	233
Total	121,180	(5,373)	115,807	114,112	(3,107)	111,005

28 INSURANCE RISK (CONTINUED)

Key assumptions

Expenses

Three elements of management expenses were considered, namely marketing, claims-related and premium-related expense. The premium-related expense is further segregated into two parts, i.e. a one-off expense incurred at the policy issuance and an on-going expense incurred during the policy period. Expense provision only takes into account the provision for claims-related expenses and the on-going premium-related expenses in outstanding claims liabilities and unexpired premium liabilities, respectively.

Premium liabilities

Premium liabilities for all classes of general insurance is the higher of Unexpired Risk Reserves (“URR”) at 75% probability of adequacy or Unearned Premium Reserves (“UPR”).

URR is assumed as the adjusted unearned premium reserve (net of reinsurance after adjustment for non-qualifying offshore reinsurance but gross of commission) multiplied by the selected Ultimate Loss Ratio (“ULR”).

Provision for claims related expenses and overhead expenses are added to the ultimate unexpired risk reserves plus Provision of Risk Margin for Adverse Deviation (“PRAD”) as follows:

- Provision for claims related expense at 10.0% of the unexpired risk to allow for internal claims expenses including staff costs and administrative expenses expected to be incurred in settling claims on the unexpired portion of risk. This rate was based on the most recent financial year’s data of claims-related expenses as a proportion of the average of the total claims paid and total claims reported.

- Provision for overhead expense at 12.0% of the UPR (gross of reinsurance and commission) to allow for on-going premium related expenses including reinsurance costs, staff costs and administrative expenses not related to settling claims. This rate is based on a historic comparison of the sum of premium-related expenses and reinsurance costs against gross earned premiums over the most recent financial years.

28 INSURANCE RISK (CONTINUED)

Key assumptions (continued)

Claim liabilities

Claim liabilities include provision for outstanding claims of Incurred But Not Reported ("IBNR") and Incurred But Not Enough Reported ("IBNER") claims on best estimate basis using primarily the Link Ratio method for all classes of business, coupled with the Bornhuetter-Ferguson and/or Expected Loss Ratio methods where deemed necessary and appropriate. In addition, provisions for claims-related expense plus a Provision of Risk Margin for Adverse Deviation ("PRAD") are included to derive the total claims liabilities.

Explicit allowance is not made for future inflation. However, an implicit allowance is made based on projection of past development rates of claim inflation contained within the historical claims development data.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claim liabilities included in insurance contract liabilities and profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumption %	Impact on gross insurance contract liabilities RM'000	Impact on net insurance contract liabilities RM'000	Impact on profit after tax RM'000
2022				
Expected loss ratio	+10	17,539	14,480	(11,005)
Provision for expenses	+10	1,188	1,188	(903)
PRAD	+10	1,494	1,270	(965)
2021				
Expected loss ratio	+10	13,262	11,740	(8,923)
Provision for expenses	+10	1,037	1,037	(788)
PRAD	+10	1,615	1,330	(1,011)

28 INSURANCE RISK (CONTINUED)

<u>Key assumptions</u> (continued)

<u>Claims development table</u>

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each date of the statement of financial position, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

28 INSURANCE RISK (CONTINUED)

Claims development table (continued)

Gross Claims Liabilities as at 31.12.2022:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		108,657	107,920	109,160	84,252	68,563	76,214	117,816	
One year later		102,693	103,746	104,021	99,060	82,908	89,636		
Two years later		97,380	111,829	104,586	102,000	78,241			
Three years later		94,331	108,742	104,541	99,589				
Four years later		94,374	109,221	102,596					
Five years later		94,903	105,543						
Six years later		90,882							
Current estimate of cumulative claims incurred		90,882	105,543	102,596	99,589	78,241	89,636	117,816	
At end of accident year		(36,488)	(46,816)	(38,549)	(41,337)	(30,941)	(31,848)	(38,647)	
One year later		(75,669)	(76,252)	(66,886)	(64,808)	(52,188)	(65,950)		
Two years later		(84,467)	(84,379)	(77,829)	(74,051)	(58,349)			
Three years later		(87,327)	(87,724)	(79,147)	(77,584)				
Four years later		(87,856)	(88,282)	(81,510)					
Five years later		(87,954)	(89,762)						
Six years later		(88,309)							
Cumulative payments to-date		(88,309)	(89,762)	(81,510)	(77,584)	(58,349)	(65,950)	(38,647)	
Gross claims liabilities	10,516	2,573	15,781	21,086	22,005	19,892	23,686	79,169	194,708
Treaty inwards and MMIP									14,184
Best estimate of claims liabilities									208,892
Claims handling expenses									11,077
PRAD at 75% confidence level									17,517
Gross claims liabilities									237,486

28 INSURANCE RISK (CONTINUED)

Claims development table (continued)

Net Claims Liabilities as at 31.12.2022:

Accident year	Before 2016 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000
At end of accident year		103,548	102,102	103,708	80,574	66,307	70,438	99,498	
One year later		97,224	96,561	97,610	93,984	79,263	80,531		
Two years later		92,295	103,072	96,832	94,951	75,222			
Three years later		89,879	100,958	94,851	93,867				
Four years later		89,711	100,288	93,139					
Five years later		89,993	97,366						
Six years later		86,279							
Current estimate of cumulative claims incurred		86,279	97,366	93,139	93,867	75,222	80,531	99,498	
At end of accident year		(35,307)	(44,365)	(35,328)	(38,270)	(30,161)	(30,055)	(37,653)	
One year later		(72,866)	(72,595)	(62,932)	(61,071)	(50,773)	(58,515)		
Two years later		(80,447)	(80,519)	(73,598)	(69,968)	(56,781)			
Three years later		(82,945)	(83,585)	(73,405)	(73,413)				
Four years later		(83,460)	(83,129)	(75,709)					
Five years later		(83,555)	(84,572)						
Six years later		(83,902)							
Cumulative payments to-date		(83,902)	(84,572)	(75,709)	(73,413)	(56,781)	(58,515)	(37,653)	
Net claims liabilities	6,823	2,377	12,794	17,430	20,454	18,441	22,016	61,845	162,180
Treaty inwards and MMIP									14,184
Best estimate of claims liabilities									176,364
Claims handling expenses									11,078
PRAD at 75% confidence level									15,278
Net claims liabilities									202,720

28 INSURANCE RISK (CONTINUED)

Claims development table (continued)

Gross Claims Liabilities as at 31.12.2021:

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		169,793	108,657	107,920	109,160	84,252	68,563	76,214	
One year later		161,191	102,693	103,746	104,021	99,060	82,908		
Two years later		158,326	97,380	111,829	104,586	102,000			
Three years later		156,335	94,331	108,742	104,541				
Four years later		160,381	94,374	109,221					
Five years later		159,429	94,903						
Six years later		157,067							
Current estimate of cumulative claims incurred		157,067	94,903	109,221	104,541	102,000	82,908	76,214	
At end of accident year		(96,783)	(36,488)	(46,816)	(38,548)	(41,336)	(30,941)	(31,848)	
One year later		(133,213)	(75,669)	(76,252)	(66,886)	(64,808)	(52,188)		
Two years later		(147,752)	(84,467)	(84,379)	(77,829)	(74,051)			
Three years later		(151,376)	(87,327)	(87,724)	(79,147)				
Four years later		(153,048)	(87,856)	(88,282)					
Five years later		(153,574)	(87,954)						
Six years later		(153,691)							
Cumulative payments to-date		(153,691)	(87,954)	(88,282)	(79,147)	(74,051)	(52,188)	(31,848)	
Gross claims liabilities	8,528	3,376	6,949	20,939	25,394	27,949	30,720	44,366	168,221
Treaty inwards and MMIP									19,434
Best estimate of claims liabilities									187,655
Claims handling expenses									10,367
PRAD at 75% confidence level									19,637
Gross claims liabilities									217,659

28 INSURANCE RISK (CONTINUED)

Claims development table (continued)

Net Claims Liabilities as at 31.12.2021:

Accident year	Before 2015 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of accident year		163,819	103,548	102,102	104,354	80,574	66,308	70,438	
One year later		155,047	97,224	94,641	97,610	93,985	79,262		
Two years later		150,699	92,487	103,073	96,832	94,951			
Three years later		148,675	89,879	100,958	94,851				
Four years later		152,381	89,711	100,288					
Five years later		151,408	89,993						
Six years later		149,028							
Current estimate of cumulative claims incurred		149,028	89,993	100,288	94,851	95,951	79,262	70,438	
At end of accident year		(93,632)	(35,307)	(44,365)	(35,974)	(38,270)	(30,161)	(30,055)	
One year later		(128,679)	(72,866)	(70,676)	(62,932)	(61,071)	(50,773)		
Two years later		(140,908)	(80,639)	(80,519)	(73,598)	(69,968)			
Three years later		(143,974)	(82,945)	(83,585)	(73,405)				
Four years later		(145,557)	(83,460)	(83,129)					
Five years later		(146,033)	(83,555)						
Six years later		(146,146)							
Cumulative payments to-date		(146,146)	(83,555)	(83,129)	(73,405)	(69,968)	(50,773)	(30,055)	
Net claims liabilities	4,958	2,882	6,438	17,159	21,446	24,983	28,489	40,383	146,738
Treaty inwards and MMIP									19,433
Best estimate of claims liabilities									166,171
Claims handling expenses									10,367
PRAD at 75% confidence level									16,793
Net claims liabilities									193,331

29 FINANCIAL RISKS

The Company is exposed to a range of financial risks, including credit risk, liquidity risk and market risk. The Company applies a consistent risk management philosophy that is embedded in management's processes and controls such that both existing and emerging risks are considered and addressed.

(a) Credit risk

Credit risk arises from the possibility of financial loss arising from default by borrowers and transactional counterparties and decrease in the value of financial instruments due to deterioration in credit quality.

The Company only takes risks that it understands and can manage effectively. In credit risk management this means combining a detailed, bottom-up approach to market and credit analysis that considers individual counterparties with a portfolio approach focusing on sectors, countries and concentrations, as necessary.

The Company manages credit risk consistent with the overall Company's investment philosophy and credit risk strategy, as approved by the Board of Directors.

With respect to investing activities, investment objectives including asset allocation limits and permitted variances from such limits ("Investment Guidelines") undergo the governance process which includes the Investment Committee ("IC") and Management Risk Management Committee ("MRMC").

The Group Investment (being the investment team in AIA Bhd. and in Group Office) manages the investment assets of the Company within the Investment Guidelines, utilising a discipline consistent with an outsourced service provider.

Within the investment guidelines, credit risk-based risk tolerances are set by the MRMC. Such tolerances are based on the BNM Guidelines on Credit Risk and Company's internal credit ratings framework as approved by the AIA Group's FRC (the "AIA Credit Ratings Framework").

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown at gross, before the effect of mitigation through the use of master netting or collateral agreements.

	2022 RM'000	2021 RM'000
Available-for-sale financial assets	524,132	501,782
Fair value through profit or loss financial assets	2,334	2,385
Loans and receivables	40,410	45,004
Reinsurance assets – claim liabilities	40,139	27,435
Insurance receivables	43,577	37,889
Cash and cash equivalents	19,186	32,212
	669,778	646,707

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The table below provides information on the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia and Malaysia Rating Corporation Berhad's and other equivalent rating agencies. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Neither past due nor impaired					
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2022						
AFS financial assets						
Malaysian government securities	-	11,428	-	-	-	11,428
Cagamas papers	5,027	-	-	-	-	5,027
Unquoted corporate debt securities	183,906	98,230	-	-	-	282,136
Mutual fund	-	-	-	-	222,469	222,469
Accrued interest	1,505	1,567	-	-	-	3,072
FVTPL financial assets						
Unquoted equity securities	-	-	-	-	2,334	2,334

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired					
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2022 (continued)						
Loans and receivables						
Staff loans	-	155	-	-	-	155
Other receivables	-	40,255	-	-	-	40,255
Reinsurance assets – claims liabilities	-	40,139	-	-	-	40,139
Insurance receivables	-	43,439	138	186	-	43,763
Cash and cash equivalents	18,174	1,012	-	-	-	19,186
Allowance for impairment losses	-	-	-	(186)	-	(186)
	208,612	236,225	138	-	224,803	669,778

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired					
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2021						
AFS financial assets						
Malaysian government securities	-	26,200	-	-	-	26,200
Cagamas papers	-	-	-	-	-	-
Unquoted corporate debt securities	176,515	101,420	-	-	-	277,935
Mutual fund	-	-	-	-	194,343	194,343
Accrued interest	1,552	1,752	-	-	-	3,304
FVTPL financial assets						
Unquoted equity securities	-	-	-	-	2,385	2,385

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

	Neither past due nor impaired					
	Investment grade (AAA-A)	Not rated	Past due but not impaired	Past due and impaired/ partially impaired	Not subject to credit risk	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2021 (continued)						
Loans and receivables						
Staff loans	-	203	-	-	-	203
Other receivables	-	44,801	-	-	-	44,801
Reinsurance assets – claims liabilities	-	27,435	-	-	-	27,435
Insurance receivables	-	37,874	15	228	-	38,117
Cash and cash equivalents	32,064	148	-	-	-	32,212
Allowance for impairment losses	-	-	-	(228)	-	(228)
	210,131	239,833	15	-	196,728	674,707

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

The financial assets are classified according to the credit rating assessed by rating agencies approved by BNM.

The financial assets comprise Malaysian Government Securities and certain corporate debt securities which are not rated as these investments are issued by the government or guaranteed by government which were exempted from the need of getting rating from rating agencies. Other financial assets which are not rated comprise fixed and call deposits with licensed bank, and loans and receivables as the issuer did not obtain any credit rating from the respective rating agencies. Such financial assets although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness of the issuer is monitored on any downgrade news related to any investment in the debt portfolio.

The Company's loans and receivables include staff loans which are secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented on the acceptability of the types of collateral and the valuation parameters.

The type of collaterals, held by the Company as lender, for which it is entitled to in the event of default is as follows:

	Type of collateral	2022 RM'000	2021 RM'000
Staff loans	Motor vehicles and properties	155	203
		155	203

Age analysis of financial assets past-due but not impaired

	30 days RM'000	60 days RM'000	> 90 days RM'000	Total RM'000
At 31 December 2022				
Insurance receivables	18	120	-	138
At 31 December 2021				
Insurance receivables	1	13	-	14

29 FINANCIAL RISKS (CONTINUED)

(a) Credit risk (continued)

Impaired financial assets

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than three (3) months. The Company records impairment allowance for loan receivables, other receivables and insurance receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses is as follows:

Insurance receivables

	2022 RM'000	2021 RM'000
At 1 January	228	1,312
Net charge for the financial year	(42)	(1,084)
At 31 December	186	228

(b) Liquidity risk

Liquidity risk primarily refers to the possibility of having insufficient cash available to meet the payment obligations to counterparties when they become due. This can arise when internal funds are insufficient to meet cash outflow obligations and where the Company is unable to obtain funding at market rates or liquidate assets at fair value resulting in the forced liquidation of assets at depressed prices. The Company is exposed to liquidity risk in respect of insurance claims.

The Company's liquidity position is monitored regularly in compliance with regulatory and internal requirements. To manage liquidity risk, the Company has implemented a variety of measures, including monitoring of Daily Liquidity Adequacy Ratio (LAR) and quarterly monitoring of Structural LAR.

The Company continuously seeks to match, to the extent possible and appropriate, the duration of its investment assets with the duration of insurance policies issued. The Company constantly monitors its liquidity position and has in place several contingency sources of liquidity in order to minimise the impact of any liquidity risk.

29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining contractual obligations, including interest payable and receivable. For insurance contract liabilities, maturity profiles are determined based on the estimated timing of discounted net cash outflows from the recognised insurance liabilities.

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
At 31 December 2022							
Available-for-sale financial assets	524,132	27,056	93,685	67,699	288,621	-	477,061
Fair value through profit or loss financial assets	2,334	-	-	-	-	2,334	2,334
Loans and receivables	40,410	40,356	85	33	270	-	40,744
Reinsurance assets – claims liabilities	40,139	23,375	13,726	2,058	980	-	40,139
Insurance receivables	43,577	43,577	-	-	-	-	43,577
Cash and cash equivalents	19,186	19,186	-	-	-	-	19,186
Total assets	669,778	153,550	107,497	69,790	289,871	2,334	623,041
Insurance contract liabilities	358,666	172,680	145,022	30,883	10,081	-	358,666
Insurance payables	11,147	11,147	-	-	-	-	11,147
Other payables	34,002	34,002	-	-	-	-	34,002
Lease liabilities	877	243	504	130	-	-	877
Total liabilities	404,692	218,072	145,526	31,013	10,081	-	404,692

29 FINANCIAL RISKS (CONTINUED)

(b) Liquidity risk (continued)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	> 5 years RM'000	No maturity date RM'000	Total RM'000
At 31 December 2021							
Available-for-sale financial assets	501,782	29,913	92,799	122,427	290,874	-	536,013
Fair value through profit or loss financial assets	2,385	-	-	-	-	2,385	2,385
Loans and receivables	45,004	44,890	13	15	-	-	45,036
Reinsurance assets – claims liabilities	27,435	14,075	7,402	3,244	2,714	-	27,435
Insurance receivables	37,889	37,889	-	-	-	-	37,889
Cash and cash equivalents	32,212	32,212	-	-	-	-	32,212
Total assets	646,707	158,979	100,332	125,686	293,588	2,385	680,970
Insurance contract liabilities	331,771	156,440	132,107	29,667	13,557	-	331,771
Insurance payables	11,414	11,414	-	-	-	-	11,414
Other payables	23,519	23,519	-	-	-	-	23.519
Lease liabilities	1,114	237	492	385	-	-	1,114
Total liabilities	367,819	191,610	132,599	30,052	13,557	-	367,818

29 FINANCIAL RISKS (CONTINUED)

(c) Market risk

Market risk arises from the possibility of financial losses caused by changes in the financial instruments' fair values or future cash flows due to fluctuations in key variables, including interest rates, equity market prices and foreign exchange rates. The Company manages the risk of market-based fluctuations in the value of the Company's investments, as well as liabilities with exposure to market risk.

The Company uses various quantitative measures to assess market risk, including sensitivity analysis. The level of movements in market factors on which the sensitivity analysis is based were determined based on economic forecasts and historical experience of variations in these factors. The Company routinely conducts sensitivity analysis of its fixed income portfolios to estimate its exposure to movements in interest.

Policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognizance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Interest rate risk

Interest risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest yield.

The Company manages its interest rate risk by investing in financial instruments with tenors that match the duration of its liabilities as much as practicable and appropriate.

29 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of floating rate/yield financial instruments), AFS fair value reserves and equity (that reflects adjustments to profit after tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Change in variable	Impact on profit after tax RM'000	Impact on equity RM'000
At 31 December 2022		
+50 basis points shift in yield curves	-	(11,352)
- 50 basis points shift in yield curves	-	12,062
At 31 December 2021		
+50 basis points shift in yield curves	-	(11,077)
- 50 basis points shift in yield curves	-	11,750

29 FINANCIAL RISKS (CONTINUED)

(c) Market risk (continued)

(ii) Equity price risk

Equity price risk arises from changes in the market value of equity securities and equity funds. Investments in equity securities on a long-term basis are expected to provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Company's strategic asset allocations ("SAA").

The Company manages equity price risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits stipulated by BNM. The Company has limited exposure to equity risk as guided by the Company's SAA.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit after tax (due to changes in fair value of financial assets whose changes in fair values are recorded in income statement). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, the variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit after tax RM'000	Impact on equity RM'000
At 31 December 2022		
+10% shift in equity price	177	177
- 10% shift in equity price	(177)	(177)
At 31 December 2021		
+10% shift in equity price	181	181
- 10% shift in equity price	(181)	(181)

30 NON FINANCIAL RISKS

The Company's non-financial risks comprise operational risk and strategic risk.

(a) Operational risk

Operational risk is the risk arising from business processes including inadequate procedures or policies, employee errors, system failures, fraud, criminal activity or from external events which may result in direct or indirect business impact. This includes potential legal or regulatory sanctions, financial loss, or loss of reputation the Company may suffer as a result of a failure (or perceived failure) to comply with applicable laws, regulations or industry standards.

The Company protects itself against financial losses by establishing controls for day-to-day management of the business' Operational and Compliance Risks as per the Internal Control Framework. Additionally, the Company protects itself against financial losses by purchasing insurance cover against a range of operational loss events including business disruption, property damage and internal fraud, where applicable.

(b) Strategic risk

Strategic risk is the risk of loss, lower than anticipated or forgone business profits arising from greater-than-expected business expenses or a reduced revenue base. This may arise due to internal factors such as the business strategy, or from implications of the wider business environment over the planning horizon.

The Company undertakes an annual 'bottom-up' planning process to develop and set the Company's strategy and corporate objectives. Strategies are reviewed by the senior management and Board to ensure that the Company continues to operate within risk appetite with the selected strategies, from the regulatory capital and liquidity. The expectations for performing risk assessments and other risk considerations as part of the strategic planning process are established through the risk policies and standards. Key business risks inherent in the strategies are identified, with the corresponding risk mitigations.

31 SHARE-BASED PAYMENT

Employee Share Purchase Plan ("ESPP")

Under the plan, eligible employees of the Company can purchase ordinary shares of AIAGL with qualified employee contributions and the AIA Group will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group. The level of qualified employee contribution is limited to not more than 10% of the monthly basic salary subject to a maximum.

For the financial year ended 31 December 2022, eligible employees paid RM228,476 (2021: RM258,511) to purchase 5,170 (2021: 5,159) ordinary shares of AIAGL.

Valuation Methodology

The Company utilises a binomial lattice model to calculate the fair value of the share options grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the ESPP taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of AIAGL's shares which is based on an analysis of historical data since they are traded in the Stock Exchange of Hong Kong and takes into consideration the historical volatility of peer companies. The expected life of the options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Company's employees.

31 SHARE-BASED PAYMENT (CONTINUED)

Assumptions

	2022
Risk free interest rate	3.83%
Volatility	N/A
Dividend yield	1.60%
Weighted average fair value per unit at measurement rate (HK$)	68.04

	2021
Risk free interest rate	0.45%
Volatility	N/A
Dividend yield	1.70%
Weighted average fair value per unit at measurement rate (HK$)	83.92

Recognised compensation cost

The total recognised compensation cost (net of expected forfeitures) related to the matching restricted stock purchase unit awards granted under the ESPP by the Company for the financial year ended 31 December 2022 is RM87,814 (2021: RM67,833).

32 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2022 as prescribed under the RBC Framework is provided below:

	2022 **RM'000**	**2021** **RM'000**
Eligible Tier 1 Capital		
Share capital (paid up)	190,000	190,000
Reserves, including retained earnings	84,869	89,821
	274,869	279,821
Tier 2 Capital		
Available-for-sale fair value reserves	(1,283)	2,641
	(1,283)	2,641
Amount deducted from capital	(4,264)	(5,373)
Total capital available	269,322	277,089

33 CONTINGENCIES

Malaysia Competition Commission ("MyCC") had on 25 September 2020 delivered their decision against the General Insurance Association of Malaysia ("PIAM") and its 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to agreement to fix parts trade discount and labour rates for 6 vehicle makes. MyCC found PIAM and its 22 members companies have infringed Section 4 prohibition by participating in an agreement which has, as its object, the prevention, restriction or distortion in relation to the market of parts trade and labour charge for PIAM approved repairers' scheme (PARS) workshop from 1.1.2012 to 17.2.2017.

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

The Company had filed a Notice of Appeal and applied for a stay on the financial penalty in October 2020. The Competition Appeal Tribunal (CAT) has completed the hearing for the appeal at the end of April 2022.

On 2 September 2022, the Malaysian Competition Commission (MyCC) 's Competition Appeal Tribunal (CAT) has decided to allow the appeal of General Insurance Association of Malaysia ("PIAM") and its 22 members' company (including AIA) against the decision of MyCC. With the success of this appeal the decision of MyCC is set aside.

MyCC has filed an application to seek leave to commence judicial review proceedings in the High Court to review the recent decision of CAT. PIAM and its members were given leave from the High Court to appear in MyCC's ex parte application for leave to commence judicial review which has been fixed for hearing on 8 May 2023.

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

34 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 "INSURANCE CONTRACT"

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics.

Financial assets of the Company are separated into the following two groups:

(i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with MFRS 9 and are not held-for-trading or managed on fair value basis, which consist of cash and cash equivalents, receivables, accrued investment income, loans and deposits, and debt securities; and

(ii) all financial assets other than those specified in (i), which consist of derivative assets, equity securities, debt securities, and accrued investment income.

The following table shows the fair value and change in fair value of these two groups of financial assets.

RM'000	As at 31 December 2022 Fair value	As at 31 December 2022 Change in fair value
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	404,835	(6,294)
Others*	224,802	1,347
Total	629,637	(4,947)

RM'000	As at 31 December 2021 Fair value	As at 31 December 2021 Change in fair value
Financial assets that met SPPI criteria and not held-for-trading or managed on fair value basis	422,544	(12,604)
Others*	196,728	(7,314)
Total	619,272	(19,918)

* Others include financial assets that fail SPPI test, those that are held for trading and those that are managed on a fair value basis

34 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 "INSURANCE CONTRACT" (CONTINUED)

The following table sets out the credit quality analysis for financial assets that met the SPPI criteria and are not held for trading or managed on fair value basis.

	2022 RM'000	2021 RM'000
AAA	107,849	108,865
AA	100,761	101,265
Not rated	196,225	212,414
Total	404,835	422,544

Reinsurance assets have been excluded from the above assessments 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.

35 SUBSEQUENT EVENT

There were no material events subsequent to or from the reporting date that require disclosures or adjustments to the financial statements.