Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

CONTENTS

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	Note	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 (restated) RM'000
Insurance revenue	11	163,091	147,642
Insurance service expenses	12	(132,077)	(73,167)
Net expenses from reinsurance contracts		2,544	(8,196)
Insurance service results		33,558	66,279
Interest revenue on			
Financial assets not measured at fair value through profit or loss		8,529	6,150
Financial assets measured at fair value through profit or loss		121	121
Other investment revenue		9,685	(6,999)
Net impairment movement on financial assets		273	(439)
Investment return		18,608	(1,167)
Net finance expenses from insurance contract		(3,469)	(2,080)
Net finance expenses from reinsurance contract		(84)	(197)
Net investment result	13	15,055	(3,444)
Other operating expenses		(14,979)	(18,588)
Profit before tax		33,634	44,247
Tax expense		(7,197)	(12,668)
Net profit		26,437	31,579
Basic earnings per share (sen)		13.91	16.62

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

Company No.
201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 (restated) RM'000
Profit after tax for the period	26,437	31,579
Other comprehensive income/(expense):		
Items that may be subsequently reclassified to profit or loss		
Net fair value gains/(losses) on financial assets at fair value through other comprehensive income	6,439	(11,101)
Net realised (losses)/gains on financial assets at fair value through other comprehensive income reclassified to profit or loss	(1,180)	2,685
Deferred taxation	(1,043)	2,934
Change in fair value reserve	4,216	(5,482)
Items that will not be subsequently reclassified to profit or loss		
Change in insurance finance reserve	(693)	2,321
Deferred taxation	167	(557)
	(526)	1,764
Total other comprehensive income/(expense) - net of tax, for the period	3,690	(3,718)
Total comprehensive income for the period	30,127	27,861

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

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	30.06.2023 RM'000	31.12.2022 (restated) RM'000	01.01.2022 (restated) RM'000
ASSETS				
Intangible asset		3,632	3,759	3,304
Property, plant and equipment		833	1,008	1,352
Reinsurance contract assets	15	45,312	38,967	21,589
Financial investments:	14			
Amortised cost		135	155	203
Fair value through other comprehensive income		280,463	293,560	298,991
Fair value through profit or loss		230,878	229,833	201,872
Current tax assets		2,937	3,320	-
Other assets		48,908	42,594	47,387
Cash and cash equivalents		33,142	19,186	32,212
Total assets		**646,240**	**632,382**	**606,910**
LIABILITIES				
Insurance contract liabilities	15	184,715	176,220	188,868
Reinsurance contract liabilities	15	-	-	4,536
Deferred tax liabilities		47,777	41,563	30,459
Current tax liabilities		-	-	415
Other liabilities		9,484	10,462	5,439
Total liabilities		241,976	228,245	229,717
EQUITY				
Share capital		190,000	190,000	190,000
Retained earnings		207,805	211,368	181,535
Other comprehensive income:				
Fair value reserve		5,295	1,079	5,658
Insurance finance reserve		1,164	1,690	-
Total equity		404,264	404,137	377,193
Total equity and liabilities		**646,240**	**632,382**	**606,910**

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

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

		Non-distributable			Distributable	
	Share capital	Fair value reserves	Insurance Finance reserves	Share-based reserves	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	190,000	(1,283)	-	-	84,869	273,586
Changes in accounting policies	-	2,362	1,690	-	126,499	130,551
Restated balance	190,000	1,079	1,690	-	211,368	404,137
Profit after tax for the period	-	-	-	-	26,437	26,437
Other comprehensive income for the period	-	4,216	(526)	-	-	3,690
Share based compensation:						
- value of employee services	-	-	-	36	-	36
- repayment to ultimate holding company	-	-	-	(36)	-	(36)
Dividend paid during the financial year	-	-	-	-	(30,000)	(30,000)
At 30 June 2023	190,000	5,295	1,164		207,805	404,264

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

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

		Non-distributable			Distributable	
	Share capital	Fair value reserves	Insurance Finance reserves	Share-based reserves	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	190,000	2,641	-	-	89,822	282,463
Changes in accounting policies	-	3,017	-	-	91,713	94,730
Restated balance	190,000	5,658	-	-	181,535	377,193
Profit after tax for the period	-	-	-	-	31,579	31,579
Other comprehensive income for the period	-	(5,482)	1,764	-	-	(3,718)
Share based compensation:						
- value of employee services	-	-	-	34	-	34
- repayment to ultimate holding company	-	-	-	(34)	-	(34)
Dividend paid during the financial year	-	-	-	-	(40,000)	(40,000)
At 30 June 2022 (restated)	190,000	176	1,764	-	173,114	365,054

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

Company No.

201001040438 (924363-W)

AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 (restated) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,634	44,247
Interest and dividend income	(11,346)	(7,270)
Net amortisation of premium on investments	(111)	77
Realised losses	(40)	(2,873)
Fair value gains/(losses)	5,363	(3,406)
Depreciation		
- property and equipment	58	58
- right-of-use assets	117	117
Amortisation		
- intangible assets	126	154
Operating profit before working capital changes	27,801	31,104
Changes in working capital:		
Decrease in FVOCI and FVTPL financial assets	10,072	20,323
Decrease/(increase) in reinsurance contract assets	(6,345)	9,116
(Increase)/decrease in other assets	(6,294)	566
Increase in insurance payables	8	105
Increase/(decrease) in insurance contract liabilities	8,495	(20,346)
Increase/(decrease) in other payables	1,249	19
Cash generated from operating activities	34,986	40,887
Income taxes paid	(2,833)	(5,429)
Interest income received	7,208	6,730
Interest paid	(9)	(12)
Dividend income received	4,595	522
Net cash inflow from operating activities	43,947	42,698

Company No.

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AIA GENERAL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 (restated) RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(11)
Purchase of intangible asset	-	(819)
Net cash outflow from investing activities	-	(830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	9	12
Dividend paid	(30,000)	(40,000)
Net cash outflow from financing activities	(29,991)	(39,988)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,956	1,880
CASH AND CASH EQUIVALENTS AT 1 JANUARY	19,186	32,212
CASH AND CASH EQUIVALENTS AT 30 JUNE	33,142	34,092
Cash and cash equivalents comprised:		
Cash and bank balances	29,872	28,792
Fixed and call deposits with licensed financial institutions with maturity of equal and less than 3 months	3,270	5,300
	33,142	34,092

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.

AIA GENERAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023

1 CORPORATE INFORMATION

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

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

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

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

The interim financial statements are authorised for issue by the Board on 23 August 2023.

2 Basis of preparation

The condensed interim financial statements of the Company are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting.

The Company have adopted the MFRS framework issued by the Malaysian Accounting Standards Board ("MASB") and Policy Document on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2022.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted by the Company's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 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 ending 31 December 2023

(i) The following accounting standards, amendments and interpretations are effective for the financial year ending 31 December 2023:

- MFRS 9, Financial Instruments
- MFRS 17, Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendment to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Accounting policies and additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Company's interim condensed financial statements are provided in note 3.2 – 3.3 and 18.

(ii) The following relevant new amendments to standards have been adopted for the first time for the financial year ending 31 December 2023 and have no material impact to the Company:

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 on "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
- Amendments to MFRS 112 on International Tax Reform - Pillar Two Model Rules

(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 ending 31 December 2023 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 101 "Classification of liabilities as current or non-current" ('2020 amendments') and "Non-current Liabilities with Covenants" ('2022 amendments');
- Amendments to MFRS 16, Lease Liability in a Sale and Leaseback.
- Amendments to MFRS 107 "Statement of Cash Flows" and MFRS 7 "Financial Instruments: Disclosures"

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The preparation of the interim condensed financial statements in conformity with MFRS 134 requires management to make judgement on estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates. The interim condensed financial statements contain condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2022 annual financial statements. The interim condensed financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with MFRS.

3.2 Insurance contracts and reinsurance contracts held

Consistent accounting policies for the measurement and recognition of insurance and reinsurance contracts have been adopted throughout the Company. The Company has elected an accounting policy where the estimates made in previous interim financial statements are not changed when applying MFRS 17 in subsequent interim periods or in the annual reporting period.

3.2.1 Insurance contracts and reinsurance contracts held classification

The Company classifies its contracts written which transfers significant insurance risk as insurance contracts.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Company to pay significant additional benefits to its customers and has a possibility of incurring a loss on a present value basis, the contract is considered as transferring significant insurance risk and is accounted for as an insurance contract. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance contracts and reinsurance contracts held can also expose the Company to financial risk. Once a contract has been classified as an insurance and reinsurance contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.2 Separating components from insurance contracts and reinsurance contracts held

At inception, the Company separates the following components from an insurance contract or a reinsurance contract held and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance contract or a reinsurance contract held as a stand-alone instrument; and
- distinct investment components — i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

3.2.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held

<u>Insurance contracts</u>

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held (continued)

Insurance contracts (continued)

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts held

Reinsurance contracts held by the Company cover underlying insurance contracts.

A group of reinsurance contracts held is recognised on the following dates:

- Reinsurance contracts held that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Company recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.
- Reinsurance contracts acquired: The date of acquisition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.4 Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:

- Estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 15.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.4 Fulfilment cash flows and contract boundaries (continued)

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

At each reporting date, the contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

3.2.5 Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Company revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Insurance acquisition cash flows arising before the recognition of the related groups of contracts are recognised as an asset. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the related groups of contracts.

When the Company acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at the fair value for the rights to obtain:

- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.5 Insurance acquisition cash flows (continued)

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Company:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Company recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

3.2.6 Measurement – insurance contracts not measured under PAA

3.2.6.1 Initial measurement

On initial recognition, the Company measures a group of contracts as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

The measurement of the fulfilment cash flows of a group of contracts does not reflect the Company's non-performance risk.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.6 Measurement – insurance contracts not measured under PAA (continued)

3.2.6.1 Initial measurement

The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

3.2.6.2 Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.6 Measurement – insurance contracts not measured under PAA (continued)

3.2.6.2 Subsequent measurement (continued)

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the insurance service result in profit or loss;
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses.

The CSM of each group of contracts is calculated at each reporting date as follows:

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC ; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.6 Measurement – insurance contracts not measured under PAA (continued)

3.2.6.2 Subsequent measurement (continued)

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- changes in the risk adjustment for non-financial risk that relate to future services.

3.2.7 Measurement – insurance contracts measured under the PAA

The Company generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- insurance contracts and reinsurance contracts held where the coverage period of each contract in the group of contracts is one year or less; or
- the Company reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of contracts not measured under PAA.

3.2.7.1 Initial measurement

On initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognizes for cash flows related to the group. The Company has elected the accounting policy choice to defer insurance acquisition cash flows through the LRC.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.7 Measurement – insurance contracts measured under the PAA (continued)

3.2.7.2 Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any premiums received; and (ii) any amortisation of the insurance acquisition cash flows and decreased by (i) insurance acquisition cash flows paid; and (ii) the amount recognised as insurance revenue for coverage provided. On initial recognition of each group of contracts, the Company expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Company has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk.

The Company recognises the LIC of a group of Insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

3.2.8 Reinsurance contracts held

For groups of reinsurance contracts held, the Company applies the same accounting policies as that applied to insurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.8 Reinsurance contracts held (continued)

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognizes in profit or loss. The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the contracts in the group at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Company recognizes the cost immediately in profit or loss as an expense.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts to that group. A loss-recovery component is established or adjusted in the remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component; and
- the amount recognised in profit or loss for the services received in the period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.8 Reinsurance contracts held (continued)

Reinsurance of onerous underlying insurance contracts

The Company adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Company expects to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a transfer of contracts or a business combination covering onerous underlying contracts, the adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts at the date of acquisition; and
- the percentage of claims on the underlying contracts that the Company expects at the date of acquisition to recover from the reinsurance contracts held.

For reinsurance contracts acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Company uses a systematic and rational method to determine a portion of losses on the onerous group of contracts containing the insurance contracts covered by the reinsurance contract held.

A loss-recovery component is established or adjusted in the remaining coverage of reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

Reinsurance contracts held measured under PAA

The Company applies the same accounting policies to measure a group of reinsurance contracts held. If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Company adjusts the carrying amount of the asset instead of adjusting the CSM.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.9 Transition approach

The Company adopts the fair value approach when it is impracticable to use a fully retrospective approach in determining transition amounts at the IFRS 17 transition date.

<u>Contracts measured under the fair value approach</u>

For the groups of contracts that measured under the fair value approach, the Company determined the CSM or loss component of the LRC at 1 January 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The fair value of groups of contracts is primarily determined by using present value technique from the perspective of a market participant with considerations of the followings:

- estimate of future cash flows that a market participant would expect to incur or receive in fulfilling the liabilities;
- time value of money, represented by the risk-free interest rate plus a spread based on the characteristic of the liabilities;
- premiums that a market participant would require for bearing uncertainty inherent in the cash flows in relation to non-financial risks and compensation that a market participant would require to assume the obligations;
- the non-performance risk relating to that liabilities;
- other factors that a market participant would take into account in the circumstances.

To the extent possible, the Company maximised the use of relevant market data and information of market transactions. For the unobservable inputs, the Company used the best information available in the circumstances, which might include the entity's own data.

For all contracts measured under the fair value approach, the Company used reasonable and supportable information available at 1 January 2022 to determine:

- how to identify groups of contracts;
- whether a contract meets the definition of a contract; and
- how to identify discretionary cash flows for contracts.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.9 Transition approach (continued)

Contracts measured under the fair value approach (continued)

For contracts acquired in a transfer of contracts or a business combination before 2022, the Company classified liabilities for settlement of claims as liabilities for incurred claims, even though the claims might have been incurred before the contracts were acquired.

Some groups of contracts measured under the fair value approach contain contracts issued more than one year apart, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.

For some groups of reinsurance contracts held covering onerous underlying contracts, the Company established a loss-recovery component at 1 January 2022. The Company determined the loss-recovery component by multiplying:
- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Company expected to recover from the reinsurance contracts held.

For some groups of contracts,
- the discount rates at 1 January 2022 was used instead of the discount rates on initial recognition and incurred claims;
- the amount of insurance finance income or expenses accumulated in the insurance finance reserve at 1 January 2022 was determined to be zero.

Insurance acquisition cash flows – Fair value approach

The Company measured an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at 1 January 2022 for the rights to obtain:
- recoveries of insurance acquisition cash flows from premiums of contracts issued before 1 January 2022 but not yet recognised at that date, and future contracts that are renewals of such contracts;
- future contracts that are renewals of contracts recognised at 1 January 2022; and
- other future contracts after 1 January 2022 without paying again insurance acquisition cash flows that the Company has already paid.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.10 Derecognition and contract modification

The Company derecognises a contract when it is extinguished — i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a contract in a group of contracts not measured under PAA:
- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to third party, then the CSM is also adjusted for the premium charged by the third party, unless the contract is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.11 Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as ‘net expenses from reinsurance contracts held’ in the insurance service result.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.11 Presentation (continued)

3.2.11.1 Insurance revenue — insurance contracts not measured under the PAA

The Company recognises insurance revenue as it satisfies its performance obligations — i.e. as it provides services under groups of contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Company expects to receive consideration, excludes expected investment components and mainly comprises the following items.

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for premium receipts for current or past services and amounts related to incurred policyholder tax expenses.

For insurance acquisition cash flows recovery, the Company allocates a portion of premiums related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

3.2.11.2 Release of the CSM — insurance contracts not measured under the PAA

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.11 Presentation (continued)

3.2.11.3 Insurance revenue — insurance contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium for providing services in the period. The Company allocates the expected premium to each period on the following bases:

- the passage of time; or
- the expected timing of incurred insurance service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

3.2.11.4 Loss components — insurance contracts not measured under the PAA

For contracts not measured under the PAA, the Company establishes a loss component of the LRC for onerous groups of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

Changes in estimates of fulfilment cash flows relating to future services and changes in the Company's share of the fair value of underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of contracts.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.11 Presentation (continued)

3.2.11.5 Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: for contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

3.2.11.6 Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Company recognises a portion of ceding premiums as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Company under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocated ceding premiums, being the total of the changes in the asset for remaining coverage, represent the amount of which the Company expects to pay for the coverage or other services received under groups of reinsurance contracts held.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.11 Presentation (continued)

3.2.11.6 Net expenses from reinsurance contracts held (continued)

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

For a group of reinsurance contracts held covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract held covering those contracts is entered into before or at the same time as those contracts are entered into; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

3.2.11.7 Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Insurance contracts and reinsurance contracts held (continued)

3.2.11 Presentation (continued)

3.2.11.7 Insurance finance income or expenses (continued)

For certain portfolios, the Company has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined as follows:

- Contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders: for insurance finance income or expenses arising from the estimates of future cash flows, using either a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield) or an allocation that is based on the amounts credited in the period and expected to be credited in future period; and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts. This selection of the rate applied is based on the characteristics of contracts.
- Contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders: the discount rates determined on initial recognition of the group of contracts.

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the Company derecognises a contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss.

The Company presents insurance finance income or expenses for all other contracts in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

3.3.1 Classification of and designation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed following the change in business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

3.3.1 Classification of and designation of financial instruments (continued)

On initial recognition of an equity security that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value though other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

<u>Financial assets and liabilities at fair value through profit or loss</u>

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as at fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

Dividend income from equity instruments measured at fair value through profit or loss is recognised in other investment revenue in the income statement, generally when the security becomes ex-dividend. Interest revenue is recognised on an accrued basis. For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

3.3.1 Classification of and designation of financial instruments (continued)

Financial assets at fair value through other comprehensive income

These principally consist of the Company's debt securities. These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised. Interest revenue is recognised in investment return in the income statement using the effective interest method.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences are calculated as if they were carried at amortised cost and so are recognised in the income statement as other investment return. For impairments, reference is made to the section "Impairment of financial assets".

Changes in the fair value of securities, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income. Impairment losses and relevant foreign exchange gains and losses are recognised in the income statement.

Realised gains and losses on financial assets

Realised gains and losses on financial assets measured at fair value through profit or loss excludes any interest revenue or dividend income.

Realised gains and losses on financial assets measured at fair value through other comprehensive income are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

3.3.1 Classification of and designation of financial instruments (continued)

Recognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Company commits to purchase or sell the assets.

Derecognition, contract modification and offset

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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Company is exposed to changes in the fair value of the asset.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled.

If the terms of a financial instrument are modified, then the Company evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions. Cash and cash equivalents that are not mandatorily measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

3.3.1 Classification of and designation of financial instruments (continued)

Financial assets measured at amortised cost

Other than cash and cash equivalents, financial assets measured at amortised cost primarily include debt securities, loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest revenue from debt securities at measured at amortised cost is recognised in investment return in the income statement using the effective interest method.

3.3.2 Fair values of non-derivative 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 fair value through profit or loss and fair value through other comprehensive income) 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, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances. 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.

Financial instruments carried at fair value are measured using a fair value hierarchy described in note 14.

3.3.3 Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at reporting date; and
- financial assets (other than trade receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

3.3.3 Impairment of financial assets (continued)

Loss allowances for other receivables and lease receivables are always measured at an amount equal to lifetime ECL. Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount the assets, and loss allowance for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

3.3.4 Derivative financial instruments

Derivative financial instruments primarily include foreign exchange contracts and interest rate swaps that derive their value mainly from underlying foreign exchange rates and interest rates. All derivatives are initially recognised in the statement of financial position at their fair value, which represents their cost excluding transaction costs, which are expensed, giving rise to a day one loss. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

3.3.4 Derivative financial instruments (continued)

Embedded derivatives

Embedded derivatives are derivatives embedded within other non-derivative host financial instruments to create hybrid instruments. Where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument that is not a financial asset within the scope of MFRS 9, and where the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative is bifurcated and carried at fair value as a derivative in accordance with MFRS 9.

3.4 Critical accounting estimates and judgements in applying accounting policies

In the preparation of the interim condensed 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 interim condensed financial statements:

3.4.1 Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Company does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in note 3.2.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Critical accounting estimates and judgements in applying accounting policies (continued)

3.4.2 Measurement of insurance contracts not measured under the premium allocation approach

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts represent the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustments for non-financial risk are based on actual experience and policy form. The Company exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Company will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage duration. The Company exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts affect the amounts recognised in the financial statements as assets or liabilities of insurance contracts. Further details of the related accounting policies are provided in note 3.2.

3.4.3 Determination of coverage unit

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage duration and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Critical accounting estimates and judgements in applying accounting policies (continued)

3.4.3 Determination of coverage unit (continued)

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Company applies judgement in these determinations.

Expected coverage duration is derived based on the likelihood of an insured event occurring to the extent they affect the expected duration of contracts in the group. Determining the expected coverage duration is judgemental since it involves making an expectation of when claims and lapse will occur.

3.4.4 Transition to MFRS 17

The Company applied MFRS 17 for annual reporting period beginning on 1 January 2023. The Company has determined that it was impracticable to apply the full retrospective approach for some groups of contracts because certain historical information was not available or was not available without undue cost and effort that would enable it to be used under this approach. Therefore, the Company applied the fair value approaches for these groups of contracts. The Company exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the financial statements on the transition date. Further details of the related accounting policies and information on the date of initial application are provided in notes 3.2 and 18.

4 SEASONALITY OR CYCLICALITY

The business operations of the Company were not significantly affected by seasonality or cyclical factors during the interim financial period.

5 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 30 June 2023.

6 CHANGES IN ESTIMATES

There were no material changes in the basis used for the accounting estimates for the current financial period ended 30 June 2023.

7 ISSUES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase and repayment of debt and equity securities during the current financial period ended 30 June 2023.

8 DIVIDEND PAID

The members had, on 15 June 2023, approved a final dividend for the financial year ended 31 December 2022 as follows:

In respect of the financial year ended 31 December 2022:

	RM'000
Final single-tier dividend of RM0.1579 per ordinary share on 190,000,000 ordinary shares, paid on 14 June 2023	30,000

9 CHANGES IN THE COMPOSITION OF THE COMPANY

There was no change in the composition of the Company during the period under review.

10 MATERIAL EVENT SUBSEQUENT TO THE END OF THE PERIOD

There was no material event subsequent to the financial period ended 30 June 2023 that has not been reflected in the condensed interim financial statements.

11 INSURANCE REVENUE

	30.06.2023 RM'000	30.06.2022 (restated) RM'000
Contracts not measured under the PAA		
Amounts related to changes in liabilities for remaining coverage		
Contractual service margin recognised for services provided	38,319	69,781
Change in risk adjustment for non-financial risk for risk expired	2,824	1,961
Expected incurred claims and other insurance service expenses	46,774	46,485
Others	898	(14,923)
Recovery of insurance acquisition cash flows	40,532	10,773
	129,347	114,077
Contracts measured under the PAA	33,744	33,565
Total insurance revenue	163,091	147,642

12 INSURANCE SERVICE EXPENSES

	30.06.2023 RM'000	30.06.2022 (restated) RM'000
Incurred claims and other insurance service expenses	69,224	59,314
Amortisation of insurance acquisition cash flows	53,144	21,346
Changes relate to future service: Losses and reversal of losses on onerous contract	301	(2)
Changes relate to past service: Adjustments to liabilities for incurred claims	9,408	(7,491)
Total insurance service expenses	132,077	73,167

13 NET INVESTMENT RESULT

(i) Net investment income in profit or loss and other comprehensive income

	30.06.2023 RM'000	30.06.2022 (restated) RM'000
Investment return		
Interest revenue on financial assets	8,650	6,271
Other investment revenue	9,685	(6,999)
Net impairment movement on financial assets	273	(439)
Total investment return	18,608	(1,167)
Net finance expenses from insurance contracts	(3,469)	(2,080)
Net finance income from reinsurance contracts	(84)	(197)
Net investment result	15,055	(3,444)

(ii) Interest revenue on financial assets and other investment revenue

	30.06.2023 RM'000	30.06.2022 (restated) RM'000
Interest revenue on financial assets		
Financial assets measured at amortised cost	2,204	(103)
Financial assets measured at fair value through other comprehensive income	6,325	6,253
Financial assets mandatory at fair value through profit or loss	121	121
Total interest revenue on financial assets	8,650	6,271

13 NET INVESTMENT RESULT (CONTINUED)

(ii) Interest revenue on financial assets and other investment revenue (continued)

	30.06.2023 RM'000	30.06.2022 (restated) RM'000
Other investment revenue		
Dividend income	4,595	521
Net gains/(losses) of financial assets not at fair value through profit or loss		
Measured at fair value through other comprehensive income	(192)	(881)
Net gains/(losses) of other financial instruments at fair value through profit or loss		
Measured at fair value through profit or loss		
Net gains/(losses) of debt investments	(6)	(99)
Net gains/(losses) of equity investments	5,521	(5,300)
Net foreign exchange gains/(losses)	(233)	(1,240)
Net gains/(losses)	5,090	(7,520)
Total other investment revenue	9,685	(6,999)

14 FINANCIAL INVESTMENTS

Debt securities
Debt securities by type comprise the following:

	30.06.2023		31.12.2022 (restated)	
	FVTPL RM'000	FVOCI RM'000	FVTPL RM'000	FVOCI RM'000
Government bonds	-	2,148	-	11,428
Corporate bonds	5,024	278,315	5,030	282,132
Total	5,024	280,463	5.030	293,560

14 FINANCIAL INVESTMENTS (CONTINUED)

Equity shares and interest in investment funds

Equity shares and interests in investment funds by type comprise the following:

	30.06.2023 FVTPL RM'000	31.12.2022 (restated) FVTPL RM'000
Equity shares		
- Unquoted	2,343	2,334
Mutual fund	223,511	222,469
Total	225,854	224,803

Loans and deposits

	30.06.2023 RM'000	31.12.2022 (restated) RM'000
Loans		
Other secured loans	164	394
Expected credit loss of loans	(29)	(239)
Total	135	155

14 FINANCIAL INVESTMENTS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Company's experience, expert credit assessment and forward-looking information.

The Company primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Company’s credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Company monitors changes in credit risk by tracking the change in internal rating of the exposure. The Company also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

The Company has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment-grade'. The Company considers this to be BBB-, Baa3 or higher based on Standard and Poor’s, Fitch and Moody’s ratings, which is equivalent to an internal risk grade of 4- or higher.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the debtor.

Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to a current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increases in credit risk is assessed based on the change in internal reporting as at the reporting date and the date of initial recognition. The internal rating at reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

14 FINANCIAL INVESTMENTS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Definition of default

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published, supranational organisations, and selected private-sector and academic forecasters.

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic variables and key drivers of credit risk.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of PD, loss given default (LGD) and exposure at default (EAD).

To determine lifetime and 12-month PDs, the Company uses leverages on the internal rating and convert it into probability of default based on the level of rating and obligor characteristics like industry type and country. The PDs are adjusted to reflect forward-looking information as described above. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

14 FINANCIAL INVESTMENTS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Measurement of ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Company leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity and industry of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Company uses to derive the default rates of its portfolios.

14 FINANCIAL INVESTMENTS (CONTINUED)

Inputs, assumptions, and techniques used for estimating impairment (continued)

Credit-impaired financial assets

Financial assets, other than those at fair value through profit or loss, are assessed fo impairment regularly. This requires the exercise of significant judgement. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of assets, is credit-impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- 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.

A financial asset that has been renegotiated due to a deterioration in the debtor's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

14 FINANCIAL INVESTMENT (CONTINUED)

Fair value measurements on a recurring basis

A summary of the fair value hierarchy of assets not carried at fair value but for which fair value is set out below:

	Fair value hierarchy			
30 June 2023	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
At fair value through other comprehensive income				
Debt securities	-	280,463	-	280,463
At fair value through profit or loss				
Debt securities	-	228,535	-	228,535
Equity shares	-	2,343	-	2,343
Total assets on a recurring fair value measurement basis	-	511,341	-	511,341

	Fair value hierarchy			
31 December 2022 (restated)	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
At fair value through other comprehensive income				
Debt securities	-	293,560	-	293,560
At fair value through profit or loss	-		-	
Debt securities	-	227,499	-	227,499
Equity shares	-	2,334	-	2,334
Total assets on a recurring fair value measurement basis	-	523,393	-	523,393

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD

Insurance contracts and reinsurance contracts held

	Note	**30 June 2023**	**31 December 2022 (restated)**
		RM'000	**RM'000**
Insurance contract liabilities not measured under the PAA	(i), (ii)	215,355	199,484
Insurance contract liabilities measured under the PAA	(vi)	109,836	111,842
Assets for insurance acquisition cash flows not measured under the PAA	(v)	(140,476)	(135,106)
Insurance contract liabilities		**184,715**	**176,220**
Reinsurance contracts not measured under the PAA	(iii), (iv)	16,583	14,459
Reinsurance contracts measured under the PAA	(vii)	28,729	24,508
Reinsurance contract assets		**45,312**	**38,967**

Movement in carrying amounts

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held in each presentation segment changed during the year as a result of cash flows and amounts recognised in the income statement and statement of comprehensive income. The Company presents a table separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement and statement of comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of the future cash flows from insurance and reinsurance contract assets represent the Company's maximum exposure to credit risk from these assets.

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NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(i) Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

	30 June 2023				31 December 2022 (restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening liabilities	**47,217**	**-**	**152,267**	**199,484**	**74,093**	**-**	**119,266**	**193,359**
Insurance revenue	**(129,347)**	**-**	**-**	**(129,347)**	**(236,949)**	**-**	**-**	**(236,949)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	(146)	38,738	38,592	-	-	104,956	104,956
Amortisation of insurance acquisition cash flows	40,532	-	-	40,532	50,527	-	-	50,527
Losses and reversal of losses on onerous contacts	-	301	-	301	-	(5)	-	(5)
Adjustments to liabilities for incurred claims	-	-	15,782	15,782	-	-	944	944
Total insurance service expenses	**40,532**	**155**	**54,520**	**95,207**	**50,527**	**(5)**	**105,900**	**156,422**
Insurance service result	**(88,815)**	**155**	**54,520**	**(34,140)**	**(186,422)**	**(5)**	**105,900**	**(80,527)**
Net finance expenses from Insurance contracts	1,029	13	3,467	4,509	2,171	5	803	2,979
Total changes in the income statement and statement of comprehensive income	**(87,786)**	**168**	**57,987**	**(29,631)**	**(184,251)**	**-**	**106,703**	**(77,548)**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(i) Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (continued)

	30 June 2023				31 December 2022 (restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows								
Premium received	132,776	-	-	132,776	225,967	-	-	225,967
Claims and other insurance service expenses paid, including investment components	-	-	(54,675)	(54,675)	-	-	(73,499)	(73,499)
Insurance acquisition cash flows paid	(24,940)	-	-	(24,940)	(53,663)	-	-	(53,663)
Total cash flows	**107,836**	-	**(54,675)**	**53,161**	**172,304**	**-**	**(73,499)**	**98,805**
Adjusted for:								
Non-cash operating expenses	(50)	-	(77)	(127)	(90)	-	(203)	(293)
Other non-cash items	(7,532)	-	-	(7,532)	(14,839)	-	-	(14,839)
Total non-cash items	**(7,582)**	**-**	**(77)**	**(7,659)**	**(14,929)**	**-**	**(203)**	**(15,132)**
Net closing liabilities (i)	**59,685**	**168**	**155,502**	**215,355**	**47,217**	**-**	**152,267**	**199,484**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(ii) Analysis by measurement component of insurance contracts not measured under the premium allocation approach

	30 June 2023					
				CSM		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total CSM	Contracts under fair value approach	Other contracts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening liabilities	**155,647**	**12,966**	**30,871**	**-**	**30,871**	**199,484**
Changes that relate to current services	**(13,011)**	**1,107**	**(38,319)**	**(16)**	**(38,303)**	**(50,223)**
CSM recognised for services provided	-	-	(38,319)	(16)	(38,303)	(38,319)
Change in risk adjustment for non-financial risk	-	1,107	-	-	-	1,107
Experience adjustments	(13,011)	-	-	-	-	(13,011)
Changes that relate to future services	**(40,469)**	**2,863**	**37,907**	**16**	**37,891**	**301**
Contracts initially recognised in the year	(36,295)	2,912	34,961	-	34,961	1,579
Changes in estimates that adjust the CSM	(3,369)	423	2,946	16	2,930	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(805)	(472)	-	-	-	(1,277)
Changes that relate to past services	**19,118**	**(3,337)**	**-**	**-**	**-**	**15,782**
Total insurance service result	**(34,362)**	**633**	**(412)**	**-**	**(412)**	**(34,141)**
Net finance expenses from insurance contracts	3,690	-	819	-	819	4,509
Total changes in the income statement and statement of comprehensive income	**(30,671)**	**633**	**407**	**-**	**407**	**(29,631)**
Cash flows	53,161	-	-	-	-	53,161
Non-cash operating expenses	(127)	-	-	-	-	(127)
Other non-cash items	(7,532)	-	-	-	-	(7,532)
Net closing liabilities (ii)	**170,478**	**13,599**	**31,278**	**-**	**31,278**	**215,355**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(ii) Analysis by measurement component of insurance contracts not measured under the premium allocation approach (continued)

	31 December 2022 (restated)					
				CSM		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total CSM	Contracts under fair value approach	Other contracts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening liabilities	**113,318**	**10,304**	**69,737**	**69,737**	**-**	**193,359**
Changes that relate to current services	**31,850**	**1,690**	**(115,006)**	**(64,875)**	**(50,131)**	**(81,466)**
CSM recognised for services provided	-	-	(115,006)	(64,875)	(50,131)	(115,006)
Change in risk adjustment for non-financial risk	-	1,690	-	-	-	1,690
Experience adjustments	31,850	-	-	-	-	31,850
Changes that relate to future services	**(79,449)**	**5,326**	**74,118**	**(5,640)**	**79,758**	**(5)**
Contracts initially recognised in the year	(123,255)	4,208	119,672	-	119,672	625
Changes in estimates that adjust the CSM	44,263	1,291	(45,554)	(5,640)	(39,914)	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(457)	(173)	-	-	-	(630)
Changes that relate to past services	**5,298**	**(4,354)**	**-**	**-**	**-**	**944**
Total insurance service result	**(42,301)**	**2,662**	**(40,888)**	**(70,515)**	**29,627**	**(80,527)**
Net finance expenses from insurance contracts	957	-	2,022	778	1,244	2,979
Total changes in the income statement and statement of comprehensive income	**(41,344)**	**2,662**	**(38,866)**	**(69,737)**	**30,871**	**(77,548)**
Cash flows	98,805	-	-	-	-	98,805
Non-cash operating expenses	(293)	-	-	-	-	(293)
Other non-cash items	(14,839)	-	-	-	-	(14,839)
Net closing liabilities (ii)	**155,647**	**12,966**	**30,871**	**-**	**30,871**	**199,484**

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15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(iii) Analysis by remaining coverage and incurred claims of reinsurance contracts not measured under the premium allocation approach

	30 June 2023				31 December 2022 (restated)			
	Asset for remaining coverage		Asset for incurred claims	Total	Asset for remaining coverage		Asset for incurred claims	Total
	Excluding loss-recovery component	Loss recovery component			Excluding loss-recovery component	Loss recovery component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening liabilities	**7,896**	**-**	**6,563**	**14,459**	**(8,800)**	**-**	**4,264**	**(4,536)**
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)	(581)	-	(1,036)	(1,617)	(1,425)	-	9,370	7,945
Net expenses from reinsurance contracts held	**(581)**	**-**	**(1,036)**	**(1,617)**	**(1,425)**	**-**	**9,370**	**7,945**
Net finance income from reinsurance contracts held	(145)	-	-	(145)	(210)	-	-	(210)
Total changes in the income statement and statement of comprehensive income	**(726)**	**-**	**(1,036)**	**(1,762)**	**(1,635)**	**-**	**9,370**	**7,735**
Cash flows								
Premiums paid	9,893	-	-	9,893	18,331	-	-	18,331
Amounts received	-	-	(6,043)	(6,043)	-	-	(7,093)	(7,093)
Other amounts paid	-	-	36	36	-	-	21	21
Total cash flows	**9,893**	**-**	**(6,007)**	**3,886**	**18,331**	**-**	**(7,072)**	**11,259**
Adjusted for:								
Non-cash operating expenses	-	-	-	-	-	-	1	1
Net closing liabilities (iii)	**17,063**	**-**	**(480)**	**16,583**	**7,896**	**-**	**6,563**	**14,459**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(iv) Analysis by measurement component of reinsurance contracts not measured under the premium allocation approach

	30 June 2023					
				CSM		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total CSM	Contracts under fair value approach	Other contracts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening assets	**14,603**	**-**	**(144)**	**(144)**	**-**	**14,459**
Changes that relate to current services	**8,416**	**-**	**10**	**10**	**-**	**8,426**
CSM recognised for services provided	-	-	10	10	-	10
Experience adjustments	8,416	-	-	-	-	8,416
Changes that relate to past services	**(10,043)**	**-**	**-**	**-**	**-**	**(10,043)**
Changes that relate to past services	(10,043)	-	-	-	-	(10,043)
Total insurance service result	**(1,627)**	**-**	**10**	**10**	**-**	**(1,617)**
Net finance expenses from insurance contracts	(143)	-	(2)	(2)	-	(145)
Total changes in the income statement and statement of comprehensive income	**(1,770)**	**-**	**8**	**8**	**-**	**(1,762)**
Cash flows	**3,886**	**-**	**-**	**-**	**-**	**3,886**
Premium paid	9,893	-	-	-	-	9,893
Other amount paid	36	-	-	-	-	36
Amounts received	(6,043)	-	-	-	-	(6,043)
Net closing assets (iv)	**16,719**	**-**	**(136)**	**(136)**	**-**	**16,583**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(iv) Analysis by measurement component of reinsurance contracts not measured under the premium allocation approach (continued)

	31 December 2022 (restated)					
				CSM		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total CSM	Contracts under fair value approach	Other contracts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening liabilities	**(4,373)**	**-**	**(163)**	**(163)**	**-**	**(4,536)**
Changes that relate to current services	**11,429**	**-**	**23**	**23**	**-**	**11,452**
CSM recognised for services received	-	-	23	23	-	23
Experience adjustments	11,429	-	-	-	-	11,429
Changes that relate to past services	**(3,507)**	**-**	**-**	**-**	**-**	**(3,507)**
Changes that relate to past services	(3,507)	-	-	-	-	(3,507)
Total insurance service result	**7,922**	**-**	**23**	**23**	**-**	**7,945**
Net finance expenses from insurance contracts	(206)	-	(4)	(4)	-	(210)
Total changes in the income statement and statement of comprehensive income	**7,716**	**-**	**19**	**19**	**-**	**7,735**
Cash flows	**11,259**	**-**	**-**	**-**	**-**	**11,259**
Premium paid	18,331	-	-	-	-	18,331
Other amount paid	21	-	-	-	-	21
Amounts received	(7,093)	-	-	-	-	(7,093)
Non-cash operating expenses	**1**	**-**	**-**	**-**	**-**	**1**
Net closing assets (iv)	**14,603**	**-**	**(144)**	**(144)**	**-**	**14,459**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(v) Reconciliation of assets for insurance acquisition cash flows not measured under the premium allocation approach

	30 June 2023 RM'000	31 December 2022 (restated) RM'000
Opening liabilities	**135,106**	**125,976**
Assets recognised for insurance acquisition cash flows paid during the period	12,904	23,968
Allocation to groups of insurance contracts	(7,534)	(14,838)
Net closing liabilities	**140,476**	**135,106**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(vi) Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

	30 June 2023				31 December 2022 (restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening liabilities	**34,993**	**-**	**76,849**	**111,842**	**34,457**	**-**	**87,028**	**121,485**
Insurance revenue	**(33,744)**	**-**	**-**	**(33,744)**	**(70,997)**	**-**	**-**	**(70,997)**
Insurance service expenses								
Incurred claims and other insurance service expenses	-	-	30,632	30,632	-	-	48,738	48,738
Amortisation of insurance acquisition cash flows	12,612	-	-	12,612	21,021	-	-	21,021
Adjustments to liabilities for incurred claims	-	-	(6,374)	(6,374)	-	-	(22,025)	(22,025)
Total insurance service expenses	**12,612**	**-**	**24,258**	**36,870**	**21,021**	**-**	**26,713**	**47,734**
Insurance service result	**(21,132)**	**-**	**24,258**	**3,126**	**(49,976)**	**-**	**26,713**	**(23,263)**
Net finance expenses from insurance contracts	-	-	(347)	(347)	-	-	(200)	(200)
Total changes in the income statement and statement of comprehensive income	**(21,132)**	**-**	**23,911**	**2,779**	**(49,976)**	**-**	**26,513**	**(23,463)**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(vi) Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach (continued)

	30 June 2023				31 December 2022 (restated)			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows								
Premium received	32,739	-	-	32,739	75,985	-	-	75,985
Claims and other insurance service expenses paid, including investment components	-	-	(22,494)	(22,494)	-	-	(36,529)	(36,529)
Insurance acquisition cash flows paid	(14,911)	-	-	(14,911)	(25,371)	-	-	(25,371)
Total cash flows	**17,828**	**-**	**(22,494)**	**(4,666)**	**50,614**	**-**	**(36,529)**	**14,085**
Adjusted for:								
Non-cash operating expenses	(57)	-	(61)	(118)	(102)	-	(163)	(265)
Total non-cash items	**(57)**	**-**	**(61)**	**(118)**	**(102)**	**-**	**(163)**	**(265)**
Net closing liabilities (vi)	**31,631**	**-**	**78,205**	**109,836**	**34,993**	**-**	**76,849**	**111,842**

15 INSURANCE CONTRACTS AND REINSURANCE CONTRACTS HELD (CONTINUED)

(vii) Analysis by remaining coverage and incurred claims of reinsurance contracts measured under the premium allocation approach

	30 June 2023				31 December 2022 (restated)			
	Asset for remaining coverage		Asset for incurred claims	Total	Asset for remaining coverage		Asset for incurred claims	Total
	Excluding loss-recovery component	Loss recovery component			Excluding loss-recovery component	Loss recovery component		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening assets	**(10,268)**	**-**	**34,776**	**24,508**	**4,097**	**-**	**17,492**	**21,589**
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)	(7,418)	-	11,579	4,161	(13,544)	-	18,678	5,134
Net expenses from reinsurance contracts held	**(7,418)**	**-**	**11,579**	**4,161**	**(13,544)**	**-**	**18,678**	**5,134**
Net finance income from reinsurance contracts	-	-	61	61	-	-	(1,092)	(1,092)
Total changes in the income statement and statement of comprehensive income	**(7,418)**	**-**	**11,640**	**4,222**	**(13,544)**	**-**	**17,586**	**4,042**
Cash flows								
Premiums paid	911	-	-	911	(821)	-	-	(821)
Amounts received	-	-	(1,164)	(1,164)	-	-	(449)	(449)
Other amounts paid	-	-	251	251	-	-	142	142
Total cash flows	**911**	**-**	**(913)**	**(2)**	**(821)**	**-**	**(307)**	**(1,128)**
Adjusted for:								
Non-cash operating expenses	-	-	1	1	-	-	5	5
Total non-cash items	**-**	**-**	**1**	**1**	**-**	**-**	**5**	**5**
Net closing assets (vii)	**(16,775)**	**-**	**45,504**	**28,729**	**(10,268)**	**-**	**34,776**	**24,508**

16 BASIC EARNINGS PER SHARE

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

	30.06.2023 RM'000	30.06.2022 (restated) RM'000
Profit after tax attributable to the shareholders	26,437	31,579
Weighted average number of shares in issue during the financial period	190,000	190,000
Basic earnings per share (sen)	13.91	16.62

17 REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2023, as prescribed under the RBC Framework is provided below:

	30.06.2023 RM'000	31.12.2022 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	190,000	190,000
Reserves, including retained earnings	67,156	84,869
	257,156	274,869
Tier 2 Capital		
Fair value reserves	5,494	(1,283)
	5,494	(1,283)
Amount deducted from capital	(3,633)	(4,264)
Total capital available	259,017	269,322

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS

MFRS 17 Insurance contracts

Recognition, measurement and presentation of insurance contracts

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts held. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under MFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are excluded from insurance revenue and insurance service expenses.

Insurance finance income or expenses, disaggregated between profit or loss and other comprehensive income are presented separately from insurance revenue and insurance service expenses.

The Company applies the premium allocation approach to simplify the measurement of certain contracts. When measuring liabilities for remaining coverage, the premium allocation approach is similar to the Company's previous accounting treatment; however, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk, as appropriate.

Previously, 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. Under MFRS 17, insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of contracts and are subsequently derecognised when respective groups of contracts are recognised and hence included in the CSM measurement of that group.

Income and expenses from reinsurance contracts held other than insurance finance income or expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 17 Insurance contracts (continued)

Transition

Changes in accounting policies resulting from the adoption of MFRS 17 have been applied full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Company:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts held as if MFRS 17 had always applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if MFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if MFRS 17 had always been applied. These included insurance receivables and payables, policy loans and its accrued interest revenue and provisions that are attributable to existing insurance contracts, etc. Under MFRS 17, these are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

Insurance contracts and reinsurance contracts held

For certain groups of contracts, the Company applied the fair value approach in MFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach.

The Company considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Company management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 17 Insurance contracts (continued)

Assets for insurance acquisition cash flows

The Company also applied the fair value approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Company would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments

Classification of financial assets and financial liabilities

MFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. MFRS 9 eliminates the previous MFRS 139 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under MFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of MFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

MFRS 9 has not had a significant effect on the Company's accounting policies for financial liabilities.

Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' model. The new impairment model applies to financial asses measured at amortised cost, debt securities at fair value through other comprehensive income and lease receivables. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

Transition

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under MFRS 17, the Company has elected to apply classification overlay in the comparative period presented. The classification overlay has been 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.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- If an investment in a debt security had low credit risk at 1 January 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments (continued)

Effect of initial application

The table below shows the original measurement category and carrying amount under MFRS139 and the new measurement category and carrying amount under MFRS 9 for each class of the Company's financial assets and financial liabilities.

	Classification under		Carrying amount under	
	MFRS139	**MFRS 9**	**MFRS139**	**MFRS 9**
			31.12.2022	**01.01.2023**
			RM'000	**RM'000**
Financial Assets				
Debt securities	Available-for-sale	FVTPL (mandatory)	222,469	222,469
Debt securities	Available-for-sale	FVTPL (mandatory)	5,030	5,030
Debt securities	Available-for-sale	FVOCI	293,560	293,560
Equity Shares	FVTPL (designated)	FVTPL (mandatory)	2,334	2,334
Cash and cash equivalents	Loans and receivables	Amortised cost	19,186	19,186
Total financial assets			**542,579**	**542,579**

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

MFRS 9 Financial Instruments (continued)

Effect of initial application (continued)

The Company's accounting policies on the classification of financial instruments under MFRS 9 are set out in note 3.3.1. The application of these policies resulted in the reclassifications set out in the table above and explained below.

a. Under MFRS 139, certain debt securities that were classified as available-for-sale financial assets; under MFRS 9, a portion of these assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows do not solely payment of principal and interest on the principal amount outstanding or they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

b. Under MFRS 139, equity shares and interest in investment funds were designated as at fair value through profit or loss because they are managed on a fair value basis. Under MFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding and the Company has not elected to measure them at fair value through other comprehensive income.

18 EFFECTS OF ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

The adoption of MFRS 9 and MFRS 17 resulted in the following effects to the condensed statement of financial position at 31 December 2022.

	As previously reported 31.12.2022	Classification and measurement	As restated 1.1.2023
	RM'000	RM'000	RM'000
Property, plant and equipment	191	817	1,008
Right of use assets	817	(817)	-
Intangible asset	3,759	-	3,759
AFS financial assets	524,132	(524,132)	-
FVOCI financial assets	-	293,560	293,560
FVTPL financial assets	2,334	227,499	229,833
Amortised cost financial assets	-	155	155
Loan and receivables	40,410	(40,410)	-
Reinsurance assets	40,139	(40,139)	-
Reinsurance contract assets	-	38,967	38,967
Insurance receivables	43,577	(43,577)	-
Deferred tax assets	413	(413)	-
Current tax assets	3,320	-	3,320
Other assets	-	42,594	42,594
Cash and bank balances	19,186	-	19,186
Total assets	678,278	(45,896)	632,382
Share capital	190,000	-	190,000
Retained earnings	84,869	126,499	211,368
Fair value reserve	(1,283)	2,362	1,079
Insurance finance reserve	-	1,690	1,690
Total equity	273,586	130,551	404,137
Insurance contract liabilities	358,666	(182,446)	176,220
Deferred tax liabilities	-	41,563	41,563
Insurance payable	11,147	(11,147)	-
Other payables	34,002	(34,002)	-
Other liabilities	-	10,462	10,462
Lease liabilities	877	(877)	-
Total liabilities	404,692	(176,447)	228,245
Total equity and liabilities	678,278	(45,896)	632,382

19 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. The hearing of the leave application has now been set for 30 November 2023.

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