MSIG Insurance (Malaysia) Bhd

(Company No. 197901002705 (46983-W))
(Incorporated in Malaysia)

Condensed interim financial statements – unaudited for the financial period from 1 January 2023 to 30 June 2023

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MSIG Insurance (Malaysia) Bhd

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Condensed statement of financial position as at 30 June 2023 – unaudited

	Note	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2022 RM'000 Restated	Group and Company 1.1.2022 RM'000 Restated
Assets						
Plant and equipment		10,324	10,324	11,547	11,547	13,218
Right-of-use assets		26,796	26,796	30,366	30,366	35,345
Investment property		111	111	113	113	118
Intangible assets		5,112	5,112	6,030	6,030	4,170
Goodwill		1,141,224	1,141,224	1,141,224	1,141,224	1,141,224
Financial investments						
- Fair value through profit or loss	7	2,173,893	2,322,682	-	-	-
- Amortised cost	7	1,048,098	1,048,098	1,164,937	1,154,935	719,063
- Available-for-sale	7	-	-	2,152,346	2,198,658	2,588,859
Deferred tax assets		-	-	838	838	2,565
Reinsurance contract assets	10	758,860	758,860	894,766	894,766	1,075,013
Receivables	8	48,255	36,219	49,279	36,558	32,365
Cash and cash equivalents	9	679,388	451,164	331,821	232,411	138,527
Total assets		5,892,061	5,800,590	5,783,267	5,707,446	5,750,467
Equity						
Share capital		1,511,546	1,511,546	1,511,546	1,511,546	1,511,546
Reserves		1,615,653	1,615,653	1,712,859	1,712,859	1,620,761
Total equity		3,127,199	3,127,199	3,224,405	3,224,405	3,132,307
Liabilities						
Insurance contract liabilities	10	2,298,124	2,298,124	2,322,794	2,322,794	2,452,894
Lease liabilities		27,737	27,737	31,548	31,548	36,265
Other financial liabilities		472	472	448	448	422
Other payables	11	412,243	320,772	183,700	107,879	113,716
Deferred tax liabilities		10,553	10,553	-	-	-
Tax payable		15,733	15,733	20,372	20,372	14,864
Total liabilities		2,764,862	2,673,391	2,558,862	2,483,041	2,618,161
Total equity and liabilities		5,892,061	5,800,590	5,783,267	5,707,446	5,750,467

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

MSIG Insurance (Malaysia) Bhd

(Company No. 197901002705 (46983-W))
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Condensed statement of profit or loss and other comprehensive income for the 6 months period ended 30 June 2023 – unaudited

	Group 6 months period ended 30.06.2023 RM'000	Company 6 months period ended 30.06.2023 RM'000	Group 6 months period ended 30.06.2022 RM'000 Restated	Company 6 months period ended 30.06.2022 RM'000 Restated
Insurance revenue	813,033	813,033	750,950	750,950
Insurance service expenses	(560,681)	(560,681)	(532,987)	(532,987)
Net expenses from reinsurance contracts	(133,021)	(133,021)	(88,817)	(88,817)
Insurance service result	119,331	119,331	129,146	129,146
Investment income	61,032	53,283	43,392	39,413
Realised gains and losses	(10,957)	(1,413)	5,349	6,155
Fair value gains and losses	27,366	21,935	(13,504)	(8,155)
Net investment income	77,441	73,805	35,237	37,413
Net finance expenses from insurance contracts	(28,532)	(28,532)	(23,765)	(23,766)
Net finance income from reinsurance contracts	9,395	9,395	11,423	11,423
Net insurance finance expenses	(19,137)	(19,137)	(12,342)	(12,343)
Net insurance and investment result	177,635	173,999	152,041	154,216
Other income	1,948	1,948	61	61
Other operating expenses	(4,317)	(2,865)	(3,697)	(2,347)
Other finance costs	(832)	(832)	(961)	(961)
Profit before income tax	174,434	172,250	147,444	150,969
Income tax expenses	(34,464)	(34,464)	(32,209)	(32,209)
Profit for the year	139,970	137,786	115,235	118,760
Profit attributable to :				
Owners of the Company	137,786	137,786	115,469	118,760
Non-controlling interest	2,184	-	(234)	-
	139,970	137,786	115,235	118,760

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

MSIG Insurance (Malaysia) Bhd
(Company No. 197901002705 (46983-W))
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Condensed statement of profit or loss and other comprehensive income for the 6 months period ended 30 June 2023 – unaudited (continued)

	Group 6 months period ended 30.06.2023 RM'000	Company 6 months period ended 30.06.2023 RM'000	Group 6 months period ended 30.06.2022 RM'000 Restated	Company 6 months period ended 30.06.2022 RM'000 Restated
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Net loss on fair value of available-for-sale financial assets, net of tax	-	-	(35,890)	(39,181)
Net finance (expenses) / income from insurance contracts, net of tax	(2,450)	(2,450)	10,980	10,980
Net finance income / (expenses) from reinsurance contracts, net of tax	658	658	(4,791)	(4,791)
Other comprehensive loss for the period, net of tax	(1,792)	(1,792)	(29,701)	(32,992)
Total comprehensive income for the period	138,178	135,994	85,534	85,768
Total comprehensive income attributable to :				
Owner of the Company	135,994	135,994	85,768	85,768
Non-controlling interest	2,184	-	(234)	-
	138,178	135,994	85,534	85,768
Basic earnings per share (sen)	41.4	41.4	34.7	35.6

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

MSIG Insurance (Malaysia) Bhd
(Company No. 197901002705 (46983-W))
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Condensed statement of changes in equity for the 6 months period ended 30 June 2023 – unaudited

	/-------------Attributable to owners of the Group and the Company--------------/				
	/----------------Non-distributable----------------/			Distributable	
	Share capital RM'000	Fair value reserve RM'000	Insurance finance reserve RM'000	Retained earnings RM'000	Total equity RM'000
<u>Group and Company</u>					
At 1 January 2023, restated	1,511,546	(21,265)	4,674	1,729,450	3,224,405
Adjustment on initial application of MFRS 9, net of tax	-	21,265	-	(21,265)	-
At 1 January 2023, restated	1,511,546	-	4,674	1,708,185	3,224,405
Net finance loss from insurance contracts, net of tax	-	-	(1,792)	-	(1,792)
Total other comprehensive loss for the period	-	-	(1,792)	-	(1,792)
Profit for the period	-	-	-	137,786	137,786
Total comprehensive income for the period	-	-	(1,792)	137,786	135,994
Dividends recognised during the period	-	-	-	(233,200)	(233,200)
At 30 June 2023	1,511,546	-	2,882	1,612,771	3,127,199

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

MSIG Insurance (Malaysia) Bhd
(Company No. 197901002705 (46983-W))
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Condensed statement of changes in equity for the 6 months period ended 30 June 2023 – unaudited (continued)

	/-------------Attributable to owners of the Group and the Company--------------/				
	/----------------Non-distributable----------------/			*Distributable*	
	Share capital RM'000	**Fair value reserve RM'000**	**Insurance finance reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Group					
At 1 January 2022, as previously reported	1,511,546	4,873	-	1,574,695	3,091,114
Adjustment on initial application of MFRS 17, net of tax	-	-	(749)	41,942	41,193
Balance at 1 January 2022, restated	1,511,546	4,873	(749)	1,616,637	3,132,307
Fair value of available-for-sale financial assets, net of tax	-	(35,890)	-	-	(35,890)
Net finance income from insurance contracts, net of tax	-	-	6,189	-	6,189
Total other comprehensive loss for the period	-	(35,890)	6,189	-	(29,701)
Profit for the period	-	-	-	115,469	115,469
Total comprehensive income for the period	-	(35,890)	6,189	115,469	85,768
Dividends recognised during the period	-	-	-	(133,257)	(133,257)
At 30 June 2022, restated	1,511,546	(31,017)	5,440	1,598,849	3,084,818

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

MSIG Insurance (Malaysia) Bhd

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

Condensed statement of changes in equity for the 6 months period ended 30 June 2023 – unaudited (continued)

	/---Attributable to owners of the Group and the Company---/				
	/---Non-distributable---/			*Distributable*	
	Share capital RM'000	**Fair value reserve RM'000**	**Insurance finance reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Company					
At 1 January 2022, as previously reported	1,511,546	4,873	-	1,574,695	3,091,114
Adjustment on initial application of MFRS 17, net of tax			(749)	41,942	41,193
Balance at 1 January 2022, restated	1,511,546	4,873	(749)	1,616,637	3,132,307
Fair value of available-for-sale financial assets, net of tax	-	(39,181)	-	-	(39,181)
Net finance income from insurance contracts, net of tax	-	-	6,189	-	6,189
Total other comprehensive loss for the period	-	(39,181)	6,189	-	(32,992)
Profit for the period	-	-		118,760	118,760
Total comprehensive income for the period	-	(39,181)	6,189	118,760	85,768
Dividends recognised during the period	-	-	-	(133,257)	(133,257)
At 30 June 2022, restated	1,511,546	(34,308)	5,440	1,602,140	3,084,818

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

MSIG Insurance (Malaysia) Bhd
(Company No. 197901002705 (46983-W))
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Condensed statement of cash flows for the 6 months period ended 30 June 2023 - unaudited

	Group 6 months period ended 30.06.2023 RM'000	Company 6 months period ended 30.06.2023 RM'000	Group 6 months period ended 30.06.2022 RM'000 Restated	Company 6 months period ended 30.06.2022 RM'000 Restated
Cash flows from operating activities				
Profit before tax	174,434	172,250	147,444	150,969
Adjustments for:				
Amortisation of intangible assets	778	778	1,061	1,061
Depreciation of plant and equipment	2,429	2,429	2,350	2,350
Depreciation of right-of-use assets	4,070	4,070	4,704	4,704
Depreciation of investment property	2	2	2	2
Investment income	(61,032)	(53,283)	(43,392)	(39,413)
Realised loss / (gains) recorded in profit or loss	10,957	1,413	(5,442)	(6,248)
Fair value (gains) / loss recorded in profit or loss	(27,366)	(21,935)	13,504	8,155
Purchase of available-for-sale financial assets	-	-	(205,397)	(40,684)
Proceeds from disposal of available-for-sale financial assets	-	-	623,268	408,874
Purchase of financial assets carried at fair value through profit or loss	(874,823)	(329,247)	-	-
Proceeds from disposal of financial assets carried at fair value through profit or loss	873,433	225,746	-	-
Purchase of financial assets carried at amortised cost	-	-	-	-
Bad debt recovered	(1)	(1)	(1)	(1)
Interest on lease liabilities	834	834	963	963
Retirement gratuities charged	341	341	362	362
Operating gain before changes in working capital	104,056	3,397	539,426	491,094

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Condensed statement of cash flows for the 6 months period ended 30 June 2023 – unaudited (continued)

	Group 6 months period ended 30.06.2023 RM'000	Company 6 months period ended 30.06.2023 RM'000	Group 6 months period ended 30.06.2022 RM'000 Restated	Company 6 months period ended 30.06.2022 RM'000 Restated
Change in financial investment	69,037	59,035	(127,382)	(127,382)
Change in insurance and reinsurance contracts	108,877	108,877	(34,625)	(34,625)
Change in receivable	44,868	53,622	33,766	33,766
Change in other financial liabilities	25	25	15	15
Change in other payables	(4,674)	(20,649)	44,486	(27,905)
Cash generated from operating activities	322,189	204,307	455,686	334,963
Dividend income received	40,589	29,990	39,476	31,748
Interest income received	18,145	17,812	10,008	9,769
Income tax paid	(27,146)	(27,146)	(27,750)	(27,750)
Net cash flows from operating activities	353,777	224,963	477,420	348,730
Cash flows from investing activities				
Proceeds from disposal of plant and equipment	-	-	110	110
Purchase of intangible assets	(136)	(136)	(1,001)	(1,001)
Purchase of plant and equipment	(929)	(929)	(414)	(414)
Proceeds from creating of units	-	-	-	
Net cash flows used in investing activities	(1,065)	(1,065)	(1,305)	(1,305)
Cash flows from financing activities				
Payment of lease liabilities	(5,145)	(5,145)	(5,954)	(5,954)
Net cash flows used in financing activities	(5,145)	(5,145)	(5,954)	(5,954)
Net increase in cash and cash equivalents	347,567	218,753	470,161	341,471
Cash and cash equivalents at beginning of period	331,821	232,411	138,527	138,527
Cash and cash equivalents at end of period	679,388	451,164	608,688	479,998

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

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Notes to the condensed interim financial statements - unaudited

1. Basis of preparation

Statement of compliance

The condensed interim financial statements of the Group and of the Company as at and for the six-month period ended 30 June 2023 are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. They do not include all the information required for a complete set of annual financial statements and should be read in conjunction with the Group and Company's last audited annual financial statements as at and for the year ended 31 December 2022 ("last annual audited financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's and the Company's financial position and performance since the last annual audited financial statements.

The is the first set of interim financial statements is which MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments have been applied. The related significant changes to accounting policies are described in Note 2.

The new adoptions are as follows:

MFRSs/Amendments/Interpretations	**Effective date**
MFRS 17, Insurance Contracts	1 January 2023
Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*	1 January 2023
Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*	1 January 2023
Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
MFRS 9, *Financial Instruments*	1 January 2023

2. Changes in accounting policies

The Group and the Company have applied MFRS 17 and MFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group and the Company have restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The nature and effects of the key changes in the Group's and the Company's accounting policies resulting from its adoption of MFRS 17 and MFRS 9 are summarised below.

A. MFRS 17, *Insurance contracts*

i. Separating components from insurance and reinsurance contracts

At inception, the Group and Company separate the following components from an insurance or reinsurance contract 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 or reinsurance contract as a stand-alone instrument; and
- distinct investment components which are 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.

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 Group and the Company provide a significant service of integrating the good or service with the insurance component.

ii. Aggregation and recognition of insurance and reinsurance contracts

Insurance contracts

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

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

ii. Aggregation and recognition of insurance and reinsurance contracts (continued)

Insurance contracts (continued)

- 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 annual cohort

An insurance contract issued by the Group and the Company is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group and the Company provide services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous. An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

Reinsurance contracts

A group of reinsurance contracts is recognised on the following date:

- Reinsurance contracts initiated by the Group and the Company that provide proportionate coverage, the date on which any underlying insurance contract is initially recognised. This applies to the Group's quota share reinsurance contracts.
- Other reinsurance contracts initiated by the Group and the Company (including non proportionate coverage), the beginning of the coverage period of the group of reinsurance contracts is the date recognised. However, if the Group and the Company recognise an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

iii. Contract boundary

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

Insurance contracts

For insurance contracts, cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the policy holder is obligated to pay the premiums or in which the Group and the Company have a substantive obligation to provide the policyholder with the insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Group and the Company have the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or

- the Group and the Company have the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group and the Company are obligated to pay amount to the reinsurers 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.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

iv. Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than MFRS 17. 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 group of contracts.

v. Measurement – Contracts measured under the PAA

The Group and the Company apply the PAA to all contracts because the following criteria are met at inception.

- *Insurance contracts and loss-occurring reinsurance contracts* – The coverage period of each contract in the Group and the Company are one year or less;

- *Longer term insurance contract and risk-attaching reinsurance contract* – The Group and the Company reasonably expect that the resulting measurement of the liability/asset of the remaining coverage would not differ materially from the results of applying the requirements for the General Measurement Model.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

v. Measurement – Contracts measured under the PAA (continued)

On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured at the premium received on initial recognition minus any insurance acquisition cash flows at that date. The Group and the Company defer insurance acquisition cash flows by allocating to groups of contracts using systematic and rational methods.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premium received less insurance acquisition cash flows, increased by the amounts relating to the amortisation of insurance acquisition cash flows recognised as an expense in the reporting period and decreased by the amount recognised as insurance revenue for services provided.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group and the Company recognise a loss in profit and loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted.

The Group and the Company recognise the liability for incurred claims of a group of contract at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rated) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Group and the Company apply same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

vi. Significant judgements and estimates

Discount rates

All cash flows are discounted using risk-free yield curved adjusted to reflect the characteristics of the cash flows of the insurance contracts. The Group and the Company generally determine the risk-free rates using Government bond risk free yield curve.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a bootstrapping technique.

The Group's and the Company's risk adjustments for non-financial risk is determined using a confidence level technique.

Applying a confidence level technique, the Group and the Company estimate the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group and the Company apply the technique both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

vii. Presentation

Portfolio of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statements of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables will no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts will also be presented in the same line item as the related portfolios of contracts.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

vii. Presentation (continued)

The Group and the Company disaggregate amounts recognised in the statements of profit or loss and other comprehensive income (“OCI”) are disaggregated into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

Insurance service result

Insurance revenue is recognised based on the passage of time over the coverage period of a group of contracts.

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 comprise the following items.

- Incurred claims and other insurance service expenses:
- Amortisation of insurance acquisition cash flows:, the Group and the Company amortise 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.
- 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.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses..

Investment components will not be included in insurance revenue and insurance service expenses under MFRS 17. As a result, the Group and the Company expect a reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Group and the Company will identify the investment component of a contract by determining the amount that it would be required to repay the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring.

Net expenses from reinsurance contracts

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

The Group and the Company recognise an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

vii. Presentation (continued)

Net expenses from reinsurance contracts (continued)

For a group of reinsurance contracts covering onerous underlying contracts, the Group and the Company establish 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 covering those contracts is entered into before or at the same time as those contracts are recognised; and

- for changes in fulfilment cash flows of the group of reinsurance contracts relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Group and the Company expect to recover from the reinsurance contracts.

Insurance finance income and expenses

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

The Group and the Company choose to disaggregate insurance finance income or expenses between profit or loss and OCI. 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.

Amounts presented in OCI are accumulated in the insurance finance reserve. If the Group and the Company derecognise a contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract are reclassified to profit or loss as a reclassification adjustment.

2. Changes in accounting policies (continued)

A. MFRS 17, *Insurance contracts* (continued)

viii. Transition

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

- determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within three years prior to the transition.

- insurance contracts originated by the Group and the Company that are eligible for the PAA, the Group and the Company have concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for insurance contracts issued by the Group and the Company.

- identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if MFRS 17 had always applied (except that a retrospective impairment test has not been performed); and

- derecognised any existing balances that would not exist if MFRS 17 had always applied; and recognised any resulting net difference in equity.

The Group and the Company have applied the transition provisions in MFRS 17. The effects of adopting MFRS 17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

2. Changes in accounting policies (continued)

B. MFRS 9*, Financial Instruments*

MFRS 9, replaces IAS 39 *Financial Instruments : Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group and the Company have met the relevant criteria and has applied the temporary exemption from MFRS 9 for annual periods before 1 January 2023. Consequently, the Group and Company apply MFRS 9 for the first time on 1 January 2023.

i. Classification of financial assets

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost (“AC”);
- Fair Value through Other Comprehensive Income (“FVOCI”); and
- Fair Value through Profit or Loss (“FVTPL”).

The standard eliminates the existing MFRS 139 categories of Held-to Maturity (“HTM”), Loans and Receivables (“L&R”) and Available-for-Sale (“AFS”).

Consequently, for financial assets designated to be measured at FVTPL, all fair value gains and losses will be reported in profit or loss for financial assets designated as measured at FVTPL. For financial assets measured at FVOCI, all fair value gains and losses will be reported in Other Comprehensive Income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal for the financial assets.

ii. Impairment of financial assets

MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward looking “expected credit loss” (“ECL”) model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the financial assets that are not measured at FVTPL.

2. Changes in accounting policies (continued)

B. MFRS 9*, Financial Instruments* (continued)

ii. Impairment of financial assets (continued)

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – Non-credit impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

Credit impaired financial assets

At each reporting date, the Group and the Company assesses whether financial assets measured are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- A breach of contract such as default or past-due event;
- The restructuring of an amount due to the Group and the Company on terms that the Group and the Company would not otherwise consider;
- The debtor entering bankruptcy or other financial reorganisation becoming probable; or
- The disappearance of an active market for a security because of financial difficulties.

2. Changes in accounting policies (continued)

B. MFRS 9*, Financial Instruments* (continued)

ii. Impairment of financial assets (continued)

Credit impaired financial assets (continued)

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which use a lifetime ECL for loans and receivables (excluding insurance receivables). The expected loss allowance is based on provisional matrix with the usage of forward-looking information in determining of ECL, including the use of macroeconomic information.

The calculation of ECL requires the modelling of three parameters that define:

- *Exposure at Default ("EAD"):* The Group's and the Company's gross credit exposure to the counterparty at the time of default;
- *Probability of Default ("PD"):* The likelihood of the counterparty defaulting on its contractual obligation to the Group and the Company; and
- *Loss Given Default ("LGD"):* The amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default.

iii. Classification of financial liabilities

Under MFRS 9 all fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group and the Company have not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's and the Company's assessment did not indicate any material impact regarding the classification of financial liabilities as at 1 January 2023.

iv. Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:

i. The Group and the Company take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2023.

2. Changes in accounting policies (continued)

B. MFRS 9*, Financial Instruments* (continued)

iv. Transition (continued)

ii. The followings have to be made on the basis of the facts and circumstances that exist at the date of initial application:

- 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 FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

The impact of the adoption of MFRS 9 on the Group's and the Company's equity as at 1 January 2023 are presented in the statement of changes in equity.

3. Comments on seasonality or cyclicality

The business operations of the Group and of the Company were not significantly affected by seasonal or cyclical factors for the period under review.

4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items affecting assets, liabilities, equity, net income or cash flows which are unusual because of their nature, size or incidence in the current interim period ended 30 June 2023.

5. Changes in estimates

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual audited financial statements except for the new significant judgements and estimates in relation to MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments, which are described in Note 2.

6. Debt and equity securities

There were no issuances, cancellations, repurchases, resales and repayments of debt and equity securities by the Group and the Company in the current interim period ended 30 June 2023.

7. Financial investment

	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2022 RM'000
Equity securities in corporations	184,937	184,937	152,517	152,517
Unit Trusts and Collective investment scheme	348,390	249,799	312,045	248,041
Controlled structured entities	-	1,887,946	-	1,798,100
Corporate and government bonds	1,640,566	-	1,687,784	-
Loans	83	83	88	88
Deposits with financial institutions	1,048,015	1,048,015	1,164,849	1,154,847
Total financial investments	3,221,991	3,370,780	3,317,283	3,353,593

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

	Note	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2022 RM'000
Financial assets at amortised cost	7(b)	1,048,098	1,048,098	1,164,937	1,154,935
Financial assets at FVTPL	7(a)	2,173,893	2,322,682	-	-
Financial assets at FVOCI	7(c)	-	-	2,152,346	2,198,658
		3,221,991	3,370,780	3,317,283	3,353,593

(a) Fair value through profit or loss ("FVTPL")

	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000
At fair value:		
Equity securities in corporations:		
Quoted in Malaysia	184,335	184,335
Unquoted in Malaysia	602	602
Unit Trusts and Collective investment scheme	348,390	249,799
Controlled structured entities	-	1,887,946
Corporate and government bonds	1,640,566	-
Total FVTPL	2,173,893	2,322,682

7. Financial investment (continued)

(b) Amortised cost ("AC")

	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2022 RM'000 Restated
At amortised cost:				
Fixed and call deposits with maturity > 3 months With licensed financial institutions:				
- Licensed banks in Malaysia	1,048,015	1,048,015	1,164,849	1,154,847
Staff loan	83	83	88	88
Total AC	1,048,098	1,048,098	1,164,937	1,154,935

The carrying amount of the deposits with financial institutions approximates fair value due to the relatively short term maturities. The fair value of staff loans were determined to approximate the carrying amounts as these are immaterial in the context of the financial statements.

(c) Available-for-sale ("AFS")

	Group 31.12.2022 RM'000	Company 31.12.2022 RM'000
At fair value:		
Equity securities in corporations:		
Quoted in Malaysia	151,915	151,915
Unquoted in Malaysia	602	602
Unit Trusts	312,045	248,041
Controlled structured entities	-	1,798,100
Corporate and government bonds	1,687,784	-
Total AFS	2,152,346	2,198,658

Estimation of fair value

The fair values of quoted equity securities are their closing prices at the end of reporting period.

The fair value of the unquoted equity securities in corporations is determined to approximate the carrying amounts as these are immaterial in the context of the financial statements.

The fair value of unit trusts and controlled structured entities are their published Net Asset Value ("NAV") unit prices at the end of reporting period.

7. Financial investment (continued)

Carrying value of financial investment

	Group RM'000	Company RM'000
AFS		
At 1 January 2022	2,588,859	2,588,859
Additions	733,823	142,954
Disposals	(1,115,690)	(483,006)
Fair value loss recorded in other comprehensive income	(38,888)	(34,391)
Provision for impairment loss	(15,758)	(15,758)
At 31 December 2022	2,152,346	2,198,658
FVTPL		
1 January 2023	2,152,346	2,198,658
Additions	874,823	329,247
Disposals / Maturity	(880,642)	(227,158)
Fair value loss recorded in profit and loss	27,366	21,935
At 30 June 2023	2,173,893	2,322,682

7. Financial investment (continued)

7 (a) Controlled structured entities

The Company has determined that its investment in unit trust funds amounting to RM1,887,946,055 (31.12.2022: RM1,798,100,473) are in essence investment in structured entities ("investee funds"). The Company invests in certain investee funds whose objectives range from achieving short to long-term fixed income. The investee funds are managed by AmFunds Management Berhad, Affin Hwang Asset Management Berhad, Principal Asset Management Berhad and Nomura Asset Management Malaysia Sdn. Bhd. which apply various investment strategies to accomplish their respective investment objectives. The investee funds finance their operations through the creation of investee fund units which entitles the holder to variable returns and fair values in the respective investee fund's net assets.

The Company hold over 80% to 100% of all the investee funds disclosed below, which are all established in Malaysia. The Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accordingly, the Company has control over these investee funds and has consolidated these investee funds.

Details of the Company's investment in controlled structured entities are as follows:

		% of ownership interest held by the Company	
Name of unit trust fund	**Principal activities**	**30.06.2023**	**31.12.2022**
AmBond Select 1	Investment in government bonds and deposits	100.00%	100.00%
AmBond Select 2	Investment in corporate bonds and deposits	85.48%	83.33%
Affin Hwang Wholesale Government Bond Fund	Investment in government bonds and deposits	100.00%	100.00%
Affin Hwang Wholesale Corporate Bond Fund	Investment in corporate bonds and deposits	100.00%	100.00%
Affin Hwang World Series-Asian Bond Fund	Investment in collective investment scheme, deposits and derivatives	100.00%	100.00%
Principal Institutional Bond Fund 4	Investment in corporate bonds and deposits	100.00%	100.00%
Nomura Ringgit Bond Fund 2	Investment in government bonds, corporate bonds and deposits	100.00%	100.00%
Eastspring Investments Wholesale Sukuk Fund	Investment in sukuk issued or guaranteed by government and Islamic deposits	-	100.00%

7. Financial investment (continued)

7 (a) Controlled structured entities (continued)

Effective from 01.01.2023, these investee funds are reclassified from available-for-sale ("AFS") to fair value through profit or loss ("FVTPL") investments and the change in fair value of each investee fund is recognised in other comprehensive income of the Company for AFS investment and recognised in profit and loss for FVTPL investment.

The significant components of the Company's holdings in the investee funds amounting to approximately RM1,884million (31.12.2022: RM1,861million) are disclosed below:

30.06.2023	**AmBond Select 1 RM'000**	**AmBond Select 2 RM'000**	**Affin Hwang Wholesale Government Bond Fund RM'000**	**Affin Hwang Wholesale Corporate Bond Fund RM'000**	**Affin Hwang World Series- Asian Bond Fund RM'000**	**Principal Institutional Bond Fund 4 RM'000**	**Nomura Ringgit Bond Fund 2 RM'000**	**Total RM'000**
Fair value of underlying assets:								
Company								
Government bonds	240,555	-	154,632	-	-	-	63,189	458,376
Corporate bonds	-	401,283	-	247,137	-	275,156	186,290	1,109,866
Collective investment scheme	-	-	-	-	98,591	-	-	98,591
Money market deposits	23,000	12,821	56,553	25,997	-	12,623	13,525	144,519
Cash and cash equivalents	18,996	51,946	23	23	1,549	19	135	72,691
	282,551	466,050	211,208	273,157	100,140	287,798	263,139	1,884,043

7. Financial investment (continued)

7 (a) Controlled structured entities (continued)

31.12.2022	AmBond Select 1 RM'000	AmBond Select 2 RM'000	Affin Hwang Wholesale Government Bond Fund RM'000	Affin Hwang Wholesale Corporate Bond Fund RM'000	Affin Hwang World Series- Asian Bond Fund RM'000	Principal Institutional Bond Fund 4 RM'000	Nomura Ringgit Bond Fund 2 RM'000	Eastspring Investments Wholesale Sukuk Fund RM'000	Total RM'000
Fair value of underlying assets:									
Company									
Government bonds	251,702	-	198,775	-	-	-	86,286	190,382	727,145
Corporate bonds	-	393,982	-	225,006	-	174,777	166,874	-	960,639
Collective investment scheme	-	-	-	-	64,004	-	-	-	64,004
Money market deposits	-	-	5,001	5,001	-	-	-	-	10,002
Cash and cash equivalents	26,426	34,440	5,002	7,689	190	11,520	5,389	8,754	99,410
	278,128	428,422	208,778	237,696	64,194	186,297	258,549	199,136	1,861,200

7. Financial investment (continued)

7 (a) Controlled structured entities (continued)

The Company’s exposure to investments in the investee funds are disclosed below:

Company	AmBond Select 1 RM’000	AmBond Select 2 RM’000	Affin Hwang Wholesale Government Bond Fund RM’000	Affin Hwang Wholesale Corporate Bond Fund RM’000	Affin Hwang World Series- Asian Bond Fund RM’000	Principal Institutional Bond Fund 4 RM’000	Nomura Ringgit Bond Fund 2 RM’000	Eastspring Investments Wholesale Sukuk Fund RM’000	Total RM’000
30.06.2023									
Total fair value (loss)/gain recognised	(3,139)	5,447	(2,826)	1,319	(3,096)	6,475	(7,215)	-	(3,035)
31.12.2022									
Total fair value (loss)/gain recognised	(9,237)	(5,054)	(5,184)	(1,450)	(1,982)	3,133	(11,676)	(1,593)	(33,043)

The Company’s maximum exposure to loss from its interests in the investee funds is equal to the carrying amounts shown above.

8. Receivables

	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2022 RM'000 Restated
Other receivables, deposits and prepayments	17,976	17,976	21,813	21,683
Income due and accrued	30,317	18,281	27,500	14,909
	48,293	36,257	49,313	36,592
Less: Impairment allowance	(38)	(38)	(34)	(34)
	48,255	36,219	49,279	36,558

The amount due from immediate holding company is non-trade in nature, interest free, unsecured and repayable on demand.

9. Cash and cash equivalents

	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000	Company 31.12.2022 RM'000
Fixed and call deposits with licensed banks in Malaysia	294,381	147,676	222,768	184,787
Cash and bank balances	385,007	303,488	109,053	47,624
	679,388	451,164	331,821	232,411

The carrying amounts approximate their fair values due to the relatively short-term nature of these financial instruments.

Company No. 197901002705 (46983-W)

10. Insurance and reinsurance contracts

Movement in insurance and reinsurance contract balances

(a) Insurance contracts – Analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage		Liabilities for incurred claims		
Group and Company *in RM'000*	**Excluding loss component**	**Loss component**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
30.06.2023					
Opening liabilities	567,333	24,378	1,583,835	147,248	2,322,794
Changes in the statement of profit or loss and OCI					
Insurance revenue	(813,033)	-	-	-	(813,033)
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	550,688	27,922	578,610
Amortisation of insurance acquisition cash flows	141,780	-	-	-	141,780
Losses and reversals of losses on onerous contracts	-	(10,115)	-	-	(10,115)
Adjustments to liabilities for incurred claims	-	-	(111,544)	(38,050)	(149,594)
	141,780	(10,115)	439,144	(10,128)	560,681
Investment components and premium refunds	(2,909)	-	2,909	-	-
Insurance service result	(674,162)	(10,115)	442,053	(10,128)	(252,352)
Net finance expenses from insurance contracts	-	6,922	22,775	2,059	31,756
Total changes in the statement of profit or loss and OCI	(674,162)	(3,193)	464,828	(8,069)	(220,596)
Cash flows					
Premium received	895,381	-	-	-	895,381
Claims and other insurance service expenses paid	-	-	(501,488)	-	(501,488)
Insurance acquisition cash flows	(143,650)	-	-	-	(143,650)
Total cash flows	751,731	-	(501,488)	-	250,243
Transfer to other items in the statement of financial position	(54,317)	-	-	-	(54,317)
Closing liabilities	590,585	21,185	1,547,175	139,179	2,298,124

10. Insurance and reinsurance contracts (continued)

Movement in insurance and reinsurance contract balances (continued)

(a) Insurance contracts – Analysis by remaining coverage and incurred claims (continued)

Group and Company *in RM'000*	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
31.12.2022					
Opening liabilities	497,120	32,340	1,774,521	148,913	2,452,894
Changes in the statement of profit or loss and OCI					
Insurance revenue	(1,571,547)	-	-	-	(1,571,547)
Insurance service expenses					
Incurred claims and other insurance service expenses	-	-	1,009,669	45,722	1,055,391
Amortisation of insurance acquisition cash flows	282,287	-	-	-	282,287
Losses and reversals of losses on onerous contracts	-	(12,574)	-	-	(12,574)
Adjustments to liabilities for incurred claims		-	(122,897)	(49,800)	(172,697)
	282,287	(12,574)	886,772	(4,078)	1,152,407
Investment components and premium refunds	(4,937)	-	4,937	-	-
Insurance service result	(1,294,197)	(12,574)	891,709	(4,078)	(419,140)
Net finance expenses from insurance contracts	-	4,612	27,660	2,413	34,685
Total changes in the statement of profit or loss and OCI	(1,294,197)	(7,962)	919,369	(1,665)	(384,455)
Cash flows					
Premium received	1,753,043	-	-	-	1,753,043
Claims and other insurance service expenses paid	-	-	(1,110,055)	-	(1,110,055)
Insurance acquisition cash flows	(286,948)	-	-	-	(286,948)
Total cash flows	1,466,095	-	(1,110,055)	-	356,040
Transfer to other items in the statement of financial position	(101,685)	-	-	-	(101,685)
Closing liabilities	567,333	24,378	1,583,835	147,248	2,322,794

10. Insurance and reinsurance contracts (continued)

Movement in insurance and reinsurance contract balances (continued)

(b) Reinsurance contracts – Analysis by remaining coverage and incurred claims (continued)

	Assets for remaining coverage		Assets for incurred claims		
Group and Company *in RM'000*	**Excluding Loss-recovery component**	**Loss - recovery component**	**Estimates of present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
30.06.2023					
Opening assets	(7,112)	569	805,976	95,333	894,766
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(151,595)	-	-	-	(151,595)
Amount recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	76,846	8,895	85,741
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	(230)	-	-	(230)
Adjustments to assets for incurred claims	-	-	(46,266)	(20,671)	(66,937)
	-	(230)	30,580	(11,776)	18,574
Investment components and premium refunds	61	-	(61)	-	-
Effect of changes in non-performance risk of reinsurers			(219)		(219)
Net expenses from reinsurance contracts	(151,534)	(230)	30,519	(11,776)	(133,021)
Net finance income from reinsurance contracts	-	166	8,926	1,167	10,259
Total changes in the statement of profit or loss and OCI	(151,534)	(64)	39,445	(10,609)	(122,762)
Cash flows					
Premium paid	133,899	-	-	-	133,899
Amounts received	-	-	(147,043)	-	(147,043)
Total cash flows	133,899	-	(147,043)	-	(13,144)
Closing assets	(24,747)	505	698,378	84,724	758,860

Company No. 197901002705 (46983-W)

10. Insurance and reinsurance contracts (continued)

Movement in insurance and reinsurance contract balances (continued)

(b) Reinsurance contracts – Analysis by remaining coverage and incurred claims (continued)

Group and Company *in RM'000*	**Assets for remaining coverage** – **Excluding Loss-recovery component**	**Assets for remaining coverage** – **Loss - recovery component**	**Assets for incurred claims** – **Estimates of present value of future cash flows**	**Assets for incurred claims** – **Risk adjustment for non-financial risk**	**Total**
31.12.2022					
Opening assets	(55,575)	798	1,023,798	105,992	1,075,013
Changes in the statement of profit or loss and OCI					
Allocation of reinsurance premiums paid	(255,475)	-	-	-	(255,475)
Amount recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	-	-	147,055	16,955	164,010
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	(341)	-	-	(341)
Adjustments to assets for incurred claims	-	-	(24,602)	(29,163)	(53,765)
	-	(341)	122,453	(12,208)	109,904
Investment components and premium refunds	142	-	(142)	-	-
Effect of changes in non-performance risk of reinsurers			196		196
Net expenses from reinsurance contracts	(255,333)	(341)	122,311	(12,208)	(145,571)
Net finance income from reinsurance contracts	-	112	13,189	1,549	14,850
Total changes in the statement of profit or loss and OCI	(255,333)	(229)	135,500	(10,659)	(130,721)
Cash flows					
Premium paid	303,796	-	-	-	303,796
Amounts received	-	-	(353,322)	-	(353,322)
Total cash flows	303,796	-	(353,322)	-	(49,526)
Closing assets	(7,112)	569	805,976	95,333	894,766

11. Other payables

	Group 30.06.2023 RM'000	Company 30.06.2023 RM'000	Group 31.12.2022 RM'000 Restated	Company 31.12.2022 RM'000 Restated
Other payables	27,136	27,136	51,750	51,750
Accrued expenses	55,840	44,356	43,804	40,049
Dividend payable	233,200	233,200	-	-
Provision	16,080	16,080	16,080	16,080
Amount due to other unitholders	79,987	-	72,066	-
	412,243	320,772	183,700	107,879

The amounts due to related companies are non-trade in nature, interest free, unsecured and repayable on demand.

12. Earnings per share

Basic earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders of RM137,786,000 (30.06.2022-Restated: RM118,760,000) and the weighted average number of ordinary shares outstanding during the period of 333,143,000 (30.06.2022: 333,143,000).

13. Dividends

Dividends recognised by the Group and the Company are:

	Sen per share net of tax	Total amount RM'000	Date of payment
2023			
Final 2022 - tax-exempt	70.00	233,200	05 Jul 2023
2022			
Final 2021 - tax-exempt	40.00	133,257	05 Jul 2022

14. Capital expenditure commitments

	Group and Company 30.06.2023 RM'000	31.12.2022 RM'000
Plant and equipment		
Contracted but not provided for	3,025	3,101

15. Significant related party disclosures

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company, other than key management personnel remuneration are shown below.

	Group and Company	
	6 months period ended 30.06.2023 RM'000	6 months period ended 30.06.2022 RM'000
Holding company		
RI premium paid to	42,185	39,983
RI commission received from	(5,632)	(6,195)
Claims recoveries received from	(35,725)	(27,929)
Claims settling fee received from	(264)	(236)
Recovery of expenses paid on behalf received from	(940)	(1,059)
Fellow subsidiary companies		
RI premium paid to	9,270	7,843
RI commission received from	(1,315)	(1,286)
Claims recoveries received from	(1,888)	(4,402)
Service fee paid to	2,637	2,553
Affiliated companies		
Premium income received from	(53,635)	(45,987)
Commission expense paid to	6,462	5,795
Claims paid to	18,059	31,243
Access fees paid to	8,569	7,240
Bank merchant fees paid to	1,325	1,155
Interest/Dividend income received from	(5,604)	(2,057)
Marketing expenses paid to	1,262	1,135

The outstanding balances related to the above transactions are as shown below.

	Group and Company	
	30.06.2023 RM'000	30.06.2022 RM'000
Outstanding balance due (to)/from		
Holding company	(16,126)	(14,706)
Fellow subsidiary companies	(10,769)	(9,157)
Affiliated companies	4,883	2,323

16. Financial risks

Fair value information

It was not practicable to estimate the fair value of the Group's and of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The carrying amount of fixed and call deposits with financial institution, cash and bank balances, short-term receivables and short-term payables reasonably approximate their fair value due to relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
30.06.2023								
Financial assets - FVPL								
Equity securities in corporations:								
Quoted in Malaysia	184,335	-	-	-	-	-	184,335	184,335
Unquoted equity	-	-	-	-	602	-	602	602
Unit trust and collective investment scheme	348,390	-	-	-	-	-	348,390	348,390
Corporate and government bonds	1,640,566	-	-	-	-	-	1,640,566	1,640,566
	2,173,291	-	-	-	602	-	2,173,893	2,173,893
Company								
30.06.2023								
Financial assets - FVPL								
Equity securities in corporations:								
Quoted in Malaysia	184,335	-	-	-	-	-	184,335	184,335
Unquoted equity	-	-	-	-	602	-	602	602
Unit trust and controlled structured entities	2,137,745	-	-	-	-	-	2,137,745	2,137,745
	2,322,080	-	-	-	602	-	2,322,682	2,322,682

16. Financial risks (continued)

Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value				
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
31.12.2022								
Financial assets - AFS								
Equity securities in corporations:								
Quoted in Malaysia	151,915	-	-	-	-	-	151,915	151,915
Unquoted equity	-	-	-	-	602	-	602	602
Unit trust and collective investment scheme	312,045	-	-	-	-	-	312,045	312,045
Corporate and government bonds	13,072	1,674,712	-	-	-	-	1,687,784	1,687,784
	477,032	1,674,712	-	-	602	-	2,152,346	2,152,346
Company								
31.12.2022								
Financial assets - AFS								
Equity securities in corporations:								
Quoted in Malaysia	151,915	-	-	-	-	-	151,915	151,915
Unquoted equity	-	-	-	-	602	-	602	602
Unit trust and controlled structured entities	2,046,141	-	-	-	-	-	2,046,141	2,046,141
	2,198,056	-	-	-	602	-	2,198,658	2,198,658

16. Financial risks (continued)

Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the current interim period ended 30 June 2023 (31.12.2022: no transfer in either directions).

17. Regulatory capital requirements

The Company's Internal Capital Adequacy Assessment Process ("ICAAP") Framework is in place to manage and maintain capital adequacy level that commensurate with its risk profile at all times and to ensure that adequate capital resources are available to maintain Capital Adequacy Ratio ("CAR") above Individual Target Capital Level ("ITCL") and Supervisory Level.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a minimum Capital Adequacy Ratio of 130%. As at period end, the Company has a Capital Adequacy Ratio in excess of the minimum requirement.

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

		Company	
	Note	**30.06.2023 RM'000**	**31.12.2022 RM'000**
Eligible Tier 1 Capital			
Share capital		1,511,546	1,511,546
Retained profits		1,548,582	1,671,623
		3,060,128	3,183,169
Tier 2 Capital			
Eligible reserves – Fair value reserve		-	(21,264)
Amount deducted from capital		(1,156,963)	(1,167,829)
Total capital available		1,903,165	1,994,076

18. Events after the interim period

There were no material events after the interim financial period that was required to be reflected in the condensed interim financial statements for the interim period.

19. Changes in contingent liabilities or contingent assets

Group and Company does not have any contingent assets and contingent liabilities since the last annual balance sheet date.