

Unaudited Condensed
Interim Financial Statements
For the Financial Period From
1 January 2023 To 30 June 2023

**ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
(Incorporated in Malaysia)**

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ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
(Incorporated in Malaysia)

Unaudited Condensed Statement of Financial Position As at 30 June 2023

| | | 30.06.2023 | 31.12.2022 | 01.01.2022 |
|--|------|------------------|------------------|------------------|
| | | RM'000 | RM'000 | RM'000 |
| | Note | | Restated | Restated |
| ASSETS | | | | |
| Property, plant and equipment | | 11,278 | 11,984 | 13,683 |
| Right-of-use assets | | 6,530 | 10,859 | 6,372 |
| Intangible assets | | 29,071 | 30,527 | 33,311 |
| Non-current assets classified as held-for-sale | | 2,986 | 2,986 | 3,116 |
| Financial assets | 14 | 2,106,022 | 1,984,979 | 1,682,921 |
| Reinsurance contract assets | 16 | 293,710 | 319,993 | 301,485 |
| Other receivables | | 47,961 | 48,754 | 52,673 |
| Tax recoverable | | 10,709 | 4,929 | 1,050 |
| Deferred tax assets | | 5,199 | 11,829 | 8,510 |
| Cash and cash equivalents | | 92,926 | 79,386 | 126,744 |
| Total Assets | | <u>2,606,392</u> | <u>2,506,226</u> | <u>2,229,865</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | | 150,000 | 150,000 | 100,000 |
| Retained earnings | | 433,431 | 406,123 | 310,358 |
| Capital contribution reserve | | 224,792 | 224,792 | 224,792 |
| Other reserves | | (2,102) | (23,696) | (16,458) |
| Total Equity | | <u>806,121</u> | <u>757,219</u> | <u>618,692</u> |
| Liabilities | | | | |
| Insurance contract liabilities | 16 | 1,632,079 | 1,570,257 | 1,457,666 |
| Lease liabilities | | 6,553 | 10,785 | 6,454 |
| Other liabilities | | 161,639 | 167,965 | 147,053 |
| Total Liabilities | | <u>1,800,271</u> | <u>1,749,007</u> | <u>1,611,173</u> |
| Total Equity and Liabilities | | <u>2,606,392</u> | <u>2,506,226</u> | <u>2,229,865</u> |

ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
(Incorporated in Malaysia)

Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the Financial Period Ended 30 June 2023

| | 6 months ended | |
|---|-----------------------|------------------|
| | 30.06.2023 | 30.6.2022 |
| | RM'000 | RM'000 |
| | | Restated |
| Insurance revenue | 476,624 | 451,495 |
| Insurance service expense | (357,300) | (348,462) |
| Insurance service result before reinsurance contracts held | 119,324 | 103,033 |
| Allocation of reinsurance premiums | (73,873) | (75,847) |
| Amount recoverable from reinsurers for incurred claims | (1,950) | 22,590 |
| Net expenses from reinsurance contracts held | (75,823) | (53,257) |
| Insurance service result | 43,501 | 49,776 |
| Investment income | 45,142 | 33,682 |
| Net capital gains / (losses) and impairment of assets | 24,899 | (3,405) |
| Investment result | 70,041 | 30,277 |
| Insurance finance expenses for insurance contracts issued | (17,400) | (11,557) |
| Reinsurance finance income for reinsurance contracts held | 4,893 | 3,413 |
| Net insurance financial result | (12,507) | (8,144) |
| Other expenses | (13,763) | (12,339) |
| Profit before taxation | 87,272 | 59,570 |
| Tax expense | (11,368) | (7,446) |
| Net profit for the financial period | 75,904 | 52,124 |
| Basic earnings per share (sen) | 0.51 | 0.48 |

ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
(Incorporated in Malaysia)

Unaudited Condensed Statement of Profit or Loss and Other Comprehensive Income
For the Financial Period Ended 30 June 2023

| | 6 months ended | |
|--|-----------------------|------------------|
| | 30.06.2023 | 30.6.2022 |
| | RM'000 | RM'000 |
| | | Restated |
| Net profit for the financial period | 75,904 | 52,124 |
| Other comprehensive loss, net of tax: | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods | | |
| Fair value through other comprehensive income investments: | | |
| Gross losses on fair value changes | - | (36,427) |
| Realised losses transferred to income statements | - | 386 |
| Deferred tax | - | 8,650 |
| Fair value through other comprehensive income investments, net of deferred tax | - | (27,391) |
| Net insurance finance (expenses) / income for insurance contracts issued | (2,448) | 4,429 |
| Net reinsurance finance income / (expenses) for reinsurance contracts held | 446 | (1,165) |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | (2,002) | (24,127) |
| Other comprehensive loss for the financial period | (2,002) | (24,127) |
| Total comprehensive income for the financial period | 73,902 | 27,997 |

ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
(Incorporated in Malaysia)

Unaudited Statement of Changes in Equity For the Financial Period Ended 30 June 2023

| | Issued and full fully paid ordinary shares | | Non-distributable | | | Distributable | | Total shareholders' equity RM'000 |
|--|---|---|----------------------------------|--|--------------------------------|--------------------------------|----------------|--|
| | Share capital RM'000 | Capital contribution reserves RM'000 | Fair value reserves RM'000 | reinsurance finance reserves RM'000 | Retained earnings RM'000 | Retained earnings RM'000 | | |
| At 1 January 2022 (As previously reported) | 100,000 | 224,792 | (13,363) | (3,095) | 284,012 | 284,012 | 592,346 | |
| Impact of initial application of MFRS 17 | - | - | - | - | 26,346 | 26,346 | 26,346 | |
| At 1 January 2022 (Restated) | 100,000 | 224,792 | (13,363) | (3,095) | 310,358 | 310,358 | 618,692 | |
| Issuance of shares during the financial period | 50,000 | - | - | - | - | - | 50,000 | |
| Net profit for the financial period | - | - | - | - | 52,124 | 52,124 | 52,124 | |
| Other comprehensive loss for the financial period | - | - | - | - | (24,127) | (24,127) | (24,127) | |
| Total comprehensive income for the financial period | - | - | - | - | 27,997 | 27,997 | 27,997 | |
| At 30 June 2022 (Restated) | 150,000 | 224,792 | (13,363) | (3,095) | 338,355 | 338,355 | 696,689 | |
| At 1 January 2023 | 150,000 | 224,792 | (23,596) | (100) | 406,123 | 406,123 | 757,219 | |
| Impact of initial application of MFRS 9 | - | - | 23,596 | - | (23,596) | (23,596) | - | |
| At 1 January 2023 (Restated) | 150,000 | 224,792 | - | (100) | 382,527 | 382,527 | 757,219 | |
| Net profit for the financial period | - | - | - | - | 75,904 | 75,904 | 75,904 | |
| Other comprehensive loss for the financial period | - | - | - | (2,002) | - | (2,002) | (2,002) | |
| Total comprehensive income / (loss) for the financial period | - | - | - | (2,002) | 75,904 | 75,904 | 73,902 | |
| Dividends | - | - | - | - | (25,000) | (25,000) | (25,000) | |
| At 30 June 2023 | 150,000 | 224,792 | - | (2,102) | 433,431 | 433,431 | 806,121 | |

ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
(Incorporated in Malaysia)

Unaudited Statement of Cash Flow
For the Financial Period Ended 30 June 2023

| | Note | 30.06.2023 RM'000 | 30.06.2022 RM'000 |
|--|------|----------------------|-----------------------|
| OPERATING ACTIVITIES | | | |
| Cash generated from / (utilised in) operating activities | 15 | 6,796 | (98,166) |
| Dividend / distribution income received | | 44,006 | 32,898 |
| Interest income received | | 579 | 482 |
| Net expenses on properties | | (277) | (291) |
| Interest expense on lease liabilities | | (100) | (73) |
| Income tax paid | | (9,885) | (8,864) |
| Net cash inflows / (outflows) from operating activities | | <u>41,119</u> | <u>(74,014)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (829) | (104) |
| Proceeds from disposal of non-current assets held-for-sale | | - | 127 |
| Net cash (outflows) / inflow from investing activities | | <u>(829)</u> | <u>23</u> |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of shares | | - | 50,000 |
| Dividend paid | | (25,000) | - |
| Payment of lease liabilities | | (1,750) | (1,947) |
| Net cash (outflows) / inflows from financing activities | | <u>(26,750)</u> | <u>48,053</u> |
| Net increase / (decrease) in cash and bank balances | | 13,540 | (25,938) |
| Cash and bank balances at the beginning of the financial year | | <u>79,386</u> | <u>126,744</u> |
| Cash and cash equivalents at 30 June | | <u><u>92,926</u></u> | <u><u>100,806</u></u> |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | | 77,606 | 75,842 |
| Short-term deposits | | 15,320 | 24,964 |
| | | <u>92,926</u> | <u>100,806</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Financial Period Ended 30 June 2023

1. BASIS OF PREPARATION

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting, International Accounting Standard ("IAS") 34: Interim Financial Reporting, Guidelines / Circulars issued by Bank Negara Malaysia ("BNM") and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2022, which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), except as disclose in note 2 to the interim financial statements.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2022.

The accounting policies and presentation adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2022, except for the financial results relating to the adoption of MFRS 17 Insurance contracts and MFRS 9 Financial instruments. The comparative information and disclosure have been prepared in accordance with MFRSs and restated where relevant to reflect the initial adoption of the new accounting standards, MFRS 17 and MFRS 9.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

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

| <u>Description</u> | <u>Effective Date</u> |
|---|-----------------------|
| MFRS 17, <i>Insurance Contracts</i> | 1 January 2023 |
| Amendments to MFRS 17, <i>Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 – Comparative Information</i> | 1 January 2023 |
| Amendments to MFRS 101, <i>Presentation of Financial Statements - Disclosure of Accounting Policies</i> | 1 January 2023 |
| Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i> | 1 January 2023 |
| Amendments to MFRS 112, <i>Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> | 1 January 2023 |

The initial application of the abovementioned accounting standards and amendments issued by Malaysian Accounting Standards Board ("MASB") did not have any material financial impact to the current period and prior period financial statements of the Company upon their first adoption except as mentioned in Note 2 "changes in accounting policies".

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES

(i) MFRS 17 Insurance Contracts

MFRS 17 replaces MFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023. This standard has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative financial information and presented a third statement of financial position as at 1 January 2022.

Changes to classification and measurement

The adoption of MFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under MFRS 4 to continue accounting using its previous accounting policies. However, MFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The key principles of MFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the contract holders) by agreeing to compensate the policyholder if a specified uncertain future event (the covered event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards.
- Divides the insurance and reinsurance contracts into groups it will recognise and measure.
- Recognises and measures groups of insurance contracts at:
 - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.
Plus
 - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).
- Recognises profit from a group of Insurance contracts over the period the Company provides insurance coverage, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognises the loss immediately.
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

MFRS17 introduces different measurement models in calculating insurance and reinsurance contract liabilities where the core is General Measurement Model ("GMM") based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM"), supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach) which is not applicable to the Group's insurance contracts; and

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Changes to classification and measurement (cont'd)

- A simplified approach, Premium Allocation Approach (“PAA”) mainly for insurance and reinsurance contracts with a coverage period of 12 months or less, or for which such simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced applying the GMM. However, the liability for incurred claims (“LIC”) will need to be measured based on GMM.

The Group applies PAA for its non-life segment, of which such simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced applying the GMM. However, the liability for incurred claims (“LIC”) will need to be measured based on GMM.

The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Company under MFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision);
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Company’s obligation to pay other incurred insurance expenses;
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

For insurance acquisition cash flows, the Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group and to future groups that are expected to arise from renewals of contracts in that group. Where such insurance acquisition cash flows are paid (or where a liability has been recognised applying another IFRS standard) before the related group of insurance contracts is recognised, an asset for insurance acquisition cash flows is recognised. When insurance contracts are recognised, the related portion of the asset for insurance acquisition cash flows is derecognised and subsumed into the measurement at initial recognition of the insurance liability for remaining coverage of the related group.

Level of aggregation

Under MFRS 17, insurance and reinsurance contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by years of issuance and inception) and groups of contracts.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of reinsurance contracts held that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the MFRS 17 requirements.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line item descriptions in the statement of profit or loss have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Insurance finance income or expense
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, made when applying the standard.

Transition

The Company determined the transition approach at groups of insurance contracts levels, depending on availability of reasonable and supportable historical information. The Company will apply a retrospective transition approach and expects that most groups of insurance contracts will follow either a full retrospective approach or fair value approach.

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if MFRS 17 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if MFRS 17 has always applied. However no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.
- Derecognised any existing balances that would not exist had MFRS 17 always applied.
- Recognised any resulting net difference in equity.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Changes to presentation and disclosure (cont'd.)

The Company has applied the transition provisions in MFRS17 and has not disclosed the impact of the adoption of MFRS17 on each financial statement line item and EPS. The effects of adopting MFRS17 on the consolidated financial statements at 1 January 2022 are presented in the statement of changes in equity.

The Company has assessed that its insurance contracts issued and reinsurance contracts held in force as of the transition date will be eligible for the application of Premium Allocation Approach ("PAA") for such contracts under MFRS 17. Due to their short-term nature, such in force contracts will typically use the full retrospective transition approach. However, the liability for incurred claims ("LIC") will need to be measured based on General Measurement Model ("GMM"). The transition approach on initial adoption of MFRS 17 is as per the following:

- a) **Full retrospective approach ("FRA")** – The Company has ascertained that it will apply the FRA to all portfolio of contracts that are effective from the year 2016 and unexpired portfolio of insurance contracts effective from 2015 and prior, as if MFRS 17 had always been applied; and
- b) **Modified retrospective approach ("MRA")** – For portfolios that have expired from 2015 and prior, the application of FRA is impracticable and hence, MRA is adopted. The Company has applied the MRA for this group of contracts, as obtaining all required historical data for its existing products from the actuarial valuation reports was not possible or without incurring a significant cost and effort due to the Company's data retention policies. Therefore, the Company has used reasonable and supportable information from its existing reporting systems, which resulted in the closest outcome to the full retrospective approach.

As the Company currently applies best estimate reserving under its current accounting policies, the implementation of MFRS 17 does not have a significant impact on general insurance nominal reserves. The impact on shareholders' equity at transition is from the offsetting effects from the application of discounting (positive effect) and risk adjustment for non-financial risk for the Company's loss reserves (negative effect). The impact in shareholders' equity for the Company with the transition of MFRS 17 was a positive impact of RM26.3 million, net of tax, as of 1 January 2022.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Financial Impact

The impact of transition of MFRS 17 on the Company balance sheet at 1 January 2022 is as follows:

Opening balance sheet

| | MFRS 4 1 January 2022 | Remapping/ Removal of MFRS 4 | Remeasure- ment effect of MFRS 17 | MFRS 17 1 January 2022 |
|-------------------------------------|--------------------------------------|---|--|---------------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets | | | | |
| Property, plant and equipment | 13,683 | - | - | 13,683 |
| Right-of-use assets | 6,372 | - | - | 6,372 |
| Intangible assets | 33,311 | - | - | 33,311 |
| Non-current assets held-for-sale | 3,116 | - | - | 3,116 |
| Available-for-sale financial assets | 1,682,921 | - | - | 1,682,921 |
| Reinsurance contract assets | 418,031 | (102,959) | (13,587) | 301,485 |
| Insurance receivables | 62,678 | (64,447) | 1,769 | - |
| Other receivables | 52,673 | - | - | 52,673 |
| Tax recoverable | 1,050 | - | - | 1,050 |
| Deferred tax assets | 15,853 | (15,055) | 7,712 | 8,510 |
| Cash and bank balances | 126,744 | - | - | 126,744 |
| Total Assets | 2,416,432 | (182,461) | (4,106) | 2,229,865 |
| Equity and Liabilities | | | | |
| Share capital | 100,000 | - | - | 100,000 |
| Retained earnings | 284,012 | 47,674 | (21,328) | 310,358 |
| Capital contribution reserves | 224,792 | - | - | 224,792 |
| Other reserves | (13,363) | - | (3,095) | (16,458) |
| Total Equity | 595,441 | 47,674 | (24,423) | 618,692 |
| Insurance contract liabilities | 1,539,362 | (102,013) | 20,317 | 1,457,666 |
| Lease liabilities | 6,454 | - | - | 6,454 |
| Other liabilities | 147,053 | - | - | 147,053 |
| Insurance payables | 128,122 | (128,122) | - | - |
| Total Liabilities | 1,820,991 | (230,135) | 20,317 | 1,611,173 |
| Total Equity and Liabilities | 2,416,432 | (182,461) | (4,106) | 2,229,865 |

ZURICH GENERAL INSURANCE MALAYSIA BERHAD (201701035345 (1249516-V))
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(i) MFRS 17 Insurance Contracts (cont'd.)

Financial Impact (cont'd)

Reinsurance contract that are assets

| | 1 January <u>2022</u> RM'000 |
|---|------------------------------------|
| | Restated |
| Liabilities for remaining coverage for reinsurance contracts held | 68,121 |
| Liabilities for incurred claims | 332,825 |
| Net liabilities from deposits and others | (99,461) |
| Total | <u>301,485</u> |

Insurance contract liabilities

| | 1 January <u>2022</u> RM'000 |
|--|------------------------------------|
| | Restated |
| Liabilities for remaining coverage | 409,643 |
| Liabilities for incurred claims | |
| Present value of future cash flows | 1,045,226 |
| Risk adjustment | 41,874 |
| Net assets from receivables and payables for insurance business and others | (39,077) |
| Total | <u>1,457,666</u> |

The following table show the nature and amount of the measurement adjustments made to the opening balance sheet:

| | Description |
|----------------------------------|---|
| Remapping / Removal of MFRS 4 | The items include: • Insurance receivables, insurance payables, reinsurance contract assets and insurance contract liabilities were removed on transition and are net off within MFRS 17 equivalents. |
| Remeasurement effects of MFRS 17 | The items includes: <u>Fulfilment cash flows ('FCF')</u> The measurement of insurance contract assets / liabilities under MFRS 17 is based on groups of insurance contracts and includes a liability for fulfilling the contract obligations associated with the insurance contract, such as premiums, expenses, and insurance benefits and claims. These are recorded within the FCF component of the insurance contract liabilities, together with the risk adjustment. <u>Tax effect</u> New deferred tax were reported, where appropriate, on temporary differences between the new MFRS 17 accounting balances and associated tax bases. |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Financial Period Ended 30 June 2023

2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii) MFRS 9 Financial Instruments

MFRS 9 'Financial Instruments' replaces MFRS 139 'Financial Instruments: Recognition and Measurement' on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. However, as the Company qualifies for temporary exemption under the guidance on Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts from applying MFRS 9 and has deferred and adopted MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2023.

The nature of the changes in accounting policies can be summarised as follows:

To determine their classification and measurement category, MFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The MFRS 139 measurement categories for financial assets fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost have been replaced by:

- Financial assets at fair value through profit or loss including equity instruments and derivatives
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at amortised cost

The Company has classified and measured all its quoted and unquoted equity instruments, as well as unit trusts at FVPL. Its' holding in debt instruments has been classified as FVOCI.

There will be no significant changes to the Company's accounting for financial liabilities as it largely retains the MFRS 139 requirements.

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL.

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2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii) MFRS 9 Financial Instruments(cont'd.)

The Company's debt instruments at FVOCI and amortised cost comprise solely of corporate debt securities that are graded in the top investment category by MARC and RAM therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis. The Company does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are more than 30 days past due. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2023 or 2022.

The adoption of the ECL requirements of MFRS 9 resulted in increases in impairment allowances related to the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extend of the Company's disclosure about its financial instruments particularly in the year of the adoption of the new standard.

The Company has applied the new rules retrospectively from 1 January 2023, without restating prior periods' information and recognising any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in its' opening retained earnings.

The following section sets out the impact of adopting MFRS 9 on the statement of financial position, including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

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2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii) MFRS 9 Financial Instruments (cont'd.)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2023 is, as follows:

| | 31 December 2022 | | | 1 January 2023 | |
|---|------------------|------------------|--------------------|--------------------|------------------|
| | MFRS 139 | MFRS 9 | | MFRS 9 | |
| | carrying amount | Reclassification | | carrying amount | |
| Category | Amount | Amount | Amount | Category | |
| | RM'000 | RM'000 | RM'000 | | |
| Financial assets | | | | | |
| Cash and cash equivalents | LAR | 79,386 | - | 79,386 | AC |
| | LAR | <u>79,386</u> | <u>-</u> | <u>79,386</u> | AC |
| Financial investments - AFS | | 1,984,979 | - | 1,984,979 | |
| | AFS | <u>1,984,979</u> | <u>-</u> | <u>1,984,979</u> | |
| <i>From: Financial investments - AFS</i> | | - | (1,984,979) | (1,984,979) | |
| | | <u>-</u> | <u>(1,984,979)</u> | <u>(1,984,979)</u> | |
| Financial assets at fair value through profit or loss (mandatory) | | - | 1,984,979 | 1,984,979 | FVPL (mandatory) |
| | | <u>-</u> | <u>1,984,979</u> | <u>1,984,979</u> | |
| Non-financial assets | | | | | |
| Deferred tax assets | | 11,829 | - | 11,829 | |
| | | <u>11,829</u> | <u>-</u> | <u>11,829</u> | |

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2. CHANGE IN ACCOUNTING POLICIES (cont'd)

(ii) MFRS 9 Financial Instruments (cont'd.)

| | Reserves and retained earnings |
|--|---|
| | RM'000 |
| Fair value reserve | |
| Closing balance under MFRS 139 (31 December 2022) | (23,596) |
| Reclassification of debt instruments from available-for-sale to fair value through profit and loss | 31,047 |
| Deferred tax in relation to MFRS 9 application | (7,451) |
| Opening balance under MFRS 9 (1 January 2023) | - |
| Retained earnings | |
| Closing balance under MFRS 139 (31 December 2022) | 371,290 |
| Impact of initial application of MFRS 17 | 34,833 |
| <i>Closing balance under MFRS 139 (31 December 2022) - Restated</i> | <i>406,123</i> |
| Reclassification of debt instruments from available-for-sale to fair value through profit and loss | (31,047) |
| Recognition of MFRS 9 ECLs including those measured at FVOCI (see below) | - |
| Deferred tax in relation to MFRS 9 application | 7,451 |
| | (23,596) |
| Opening balance under MFRS 9 (1 January 2023) | 382,527 |
| Total change in equity due to application MFRS 9 | - |
| Total change in equity due to application of MFRS 17 | 34,833 |

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3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited financial statements for the financial year ended 31 December 2022 was not qualified.

4. SEASONAL OR CYCLICAL FACTORS

The Company's business operations are not significantly affected by any unusual seasonal or cyclical factors.

5. UNUSUAL ITEMS

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period under review.

6. CHANGE IN ESTIMATES

The preparation of the condensed interim financial statements in conformity with MFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies in the reported assets, liabilities, income and expenses.

7. DEBT AND EQUITY SECURITIES

There were no issuances or repayments of debt and equity securities for the current financial period under review.

8. DIVIDEND PAYMENT

The Company paid a final dividend of 17 sen per ordinary share for the financial year ended 31 December 2022 amounting to RM25,000,000 on 28 June 2023.

9. SUBSEQUENT EVENT

There are no material subsequent events from the end of the current financial period under review to the date of these unaudited condensed interim financial statements.

10. CHANGES IN COMPOSITION OF THE COMPANY

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

11. INTANGIBLE ASSET

The intangible asset includes RM28,889,000 (31 December 2022: RM30,222,000) exclusive bancassurance arrangement with Alliance Bank Malaysia Berhad ("ABMB"). The intangible asset will be amortised on a straight-line basis over the duration of the bancassurance agreement.

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12. MATERIAL LITIGATION

Update to the Malaysian Competition Commission ("MyCC")'s Proposed Decision against Persatuan Insurans Am Malaysia ("PIAM") all its 22 member companies

In August 2016, Malaysian Competition Commission ("MyCC") had commenced investigations under Section 15(1) of the Competition Act 2010 ("the Act") against Persatuan Insurans Am Malaysia ("PIAM") and all 22 member companies with regards to an alleged infringement of Section 4(2)(a) of the Act in relation to an agreement to fix parts trade discount and labour rates for 6 vehicle makes. On 22 February 2017, MyCC issued a proposed decision to all 22 member companies, proposing to impose a collective penalty of RM213 million on the general insurance industry. The Company, as one of the members of PIAM, had an initial share of RM7.9 million of the proposed penalty. As an 'industry collective action', the Company together with PIAM, submitted a written representation and made oral representations to MyCC on 25 April 2017 and 29 January 2018 respectively to defend against the allegation.

PIAM had commenced its oral representations through their counsel on 21 February 2019. Bank Negara Malaysia (BNM)'s Oral Representation took place on 13 May 2019 followed by Oral Representation by a counsel representing ZGIMB and 5 other insurers. PIAM's Competition Economist (RBB Economics) and remaining insurers' counsels completed their Oral Representations on 17 and 18 June 2019.

MyCC issued its decision dated 14 September 2020 on a finding of infringement against the insurers. Accordingly, MyCC directed the insurers, including the Company, to cease and desist from implementing the agreed parts trade discount and labour rates for the 6 vehicle makes, and imposed a discounted financial penalty of RM5.7 million on the Company.

The Company had filed a Notice of Appeal against the said decision, and sought a stay order on the decision from the Competition Appeal Tribunal ("the Tribunal"). In response, MyCC filed an objection to the Tribunal against the appeal.

Due to the uncertainty on the outcome and duration of the Tribunal process, the Company has recognised a provision of RM5.7 million for the penalty imposed in the financial statements for the year ended 31 December 2020 pending the decision of the appeal. In 2022, the Competition Appeal Tribunal (CAT) has ruled in favour of appellants including the Company and set aside the penalty. As MyCC has filed judicial review against the decision, the provision of RM5.7 million remains in the financial statements as at 30 June 2023. The hearing date for leave is anticipated to take place in September 2023.

13. CONTINGENT LIABILITIES

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

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14. Financial Assets

The table below analyses financial instruments carried at fair value:

| | <u>30.06.2023</u> | <u>31.12.2022/ 01.01.2023 (Restated)</u> |
|--|-------------------|--|
| | RM'000 | RM'000 |
| Real estate investment trusts quoted in Malaysia | 87,868 | 83,063 |
| Unit trusts unquoted in Malaysia | 2,018,154 | 1,901,916 |
| | <u>2,106,022</u> | <u>1,984,979</u> |

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

| | <u>30.06.2023</u> | <u>01.01.2023 (Restated)</u> | <u>31.12.2022</u> |
|--|-------------------|----------------------------------|-------------------|
| | RM'000 | RM'000 | RM'000 |
| (i) AFS financial assets | - | - | 1,984,979 |
| (ii) Financial assets at fair value through profit or loss | 2,106,022 | 1,984,979 | - |
| | <u>2,106,022</u> | <u>1,984,979</u> | <u>1,984,979</u> |

15. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair value due to relative short-term nature of these financial instruments.

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. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

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15. FAIR VALUE INFORMATION (CONT'D)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2022: no transfer in either directions).

Level 3 fair value

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties and debt securities from organisations in default. The fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments.

Financial instruments and non-financial assets carried at fair value

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|------------------|----------------|----------------|------------------|
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| 30 June 2023 | | | | |
| Financial assets at fair value through profit or loss: | | | | |
| Real estate investment trusts quoted in Malaysia | 87,868 | - | - | 87,868 |
| Unit trusts unquoted in Malaysia | 2,018,154 | - | - | 2,018,154 |
| Non-financial assets: | | | | |
| - Non-current assets held-for-sale | - | - | 2,986 | 2,986 |
| | <u>2,106,022</u> | <u>-</u> | <u>2,986</u> | <u>2,109,008</u> |
| 31 December 2022 | | | | |
| AFS financial assets: | | | | |
| Real estate investment trusts quoted in Malaysia | 83,063 | - | - | 83,063 |
| Unit trusts unquoted in Malaysia | 1,901,916 | - | - | 1,901,916 |
| Non-financial assets: | | | | |
| - Non-current assets held-for-sale | - | - | 2,986 | 2,986 |
| | <u>1,984,979</u> | <u>-</u> | <u>2,986</u> | <u>1,987,965</u> |

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16. INSURANCE AND REINSURANCE CONTRACTS

16.1 Insurance contracts issued

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

| | 30.06.2023 | | | | |
|--|---|-----------------------|--|------------------------|------------------|
| | Liabilities for remaining coverage | | Liability for incurred claims | | |
| | Excluding loss component | Loss component | Estimates of the present value of future cash flows | Risk adjustment | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2023 | | | | | |
| Insurance contract liabilities | 377,369 | 497 | 1,151,636 | 40,755 | 1,570,257 |
| Insurance contract assets | - | - | - | - | - |
| Net insurance contract liabilities | 377,369 | 497 | 1,151,636 | 40,755 | 1,570,257 |
| Insurance revenue | (476,624) | - | - | - | (476,624) |
| Insurance service expense | 48,708 | 40 | 308,506 | 46 | 357,300 |
| Incurred claims and other insurance service expenses | - | - | 266,829 | - | 266,829 |
| Losses on onerous contracts | - | 40 | - | - | 40 |
| Changes to liabilities for incurred claims | - | - | 41,677 | 46 | 41,723 |
| Amortisation of insurance acquisition cash flows | 48,708 | - | - | - | 48,708 |
| Insurance service results | (427,916) | 40 | 308,506 | 46 | (119,324) |
| Insurance finance expenses | 69 | - | 19,903 | 650 | 20,622 |
| Total changes in the statement of profit or loss and other comprehensive income | (427,847) | 40 | 328,409 | 696 | (98,702) |
| Cash flows | | | | | |
| Premiums received | 477,637 | - | - | - | 477,637 |
| Claims and other insurance service expenses paid | - | - | (206,067) | - | (206,067) |
| Insurance acquisition cashflows | (50,680) | - | (60,762) | - | (111,442) |
| Total cash flows | 426,957 | - | (266,829) | - | 160,128 |
| Other movements | 396 | - | - | - | 396 |
| Net insurance contract liabilities as at 30 June 2023 | 376,875 | 537 | 1,213,216 | 41,451 | 1,632,079 |
| At 30 June 2023 | | | | | |
| Insurance contract liabilities | 376,875 | 537 | 1,213,216 | 41,451 | 1,632,079 |
| Insurance contract assets | - | - | - | - | - |
| Net insurance contract liabilities | 376,875 | 537 | 1,213,216 | 41,451 | 1,632,079 |

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16. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

16.1 Insurance contracts issued (cont'd)

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below: (cont'd)

| | 31.12.2022 | | | | |
|--|------------------------------------|--------------------------|---|---------------------------|------------------|
| | Liabilities for remaining coverage | | Liability for incurred claims | | Total RM'000 |
| | Excluding loss component RM'000 | Loss component RM'000 | Estimates of the present value of future cash flows RM'000 | Risk adjustment RM'000 | |
| At 1 January 2022 | | | | | |
| Insurance contract liabilities | 369,958 | 608 | 1,045,226 | 41,874 | 1,457,666 |
| Insurance contract assets | - | - | - | - | - |
| Net insurance contract liabilities | 369,958 | 608 | 1,045,226 | 41,874 | 1,457,666 |
| Insurance revenue | (930,546) | - | - | - | (930,546) |
| Insurance service expense | 94,965 | (111) | 617,676 | (1,861) | 710,669 |
| Incurred claims and other insurance service expenses | - | - | 511,046 | - | 511,046 |
| Reversals of losses on onerous contracts | - | (111) | - | - | (111) |
| Changes to liabilities for incurred claims | - | - | 86,296 | (1,861) | 84,435 |
| Amortisation of insurance acquisition cash flows | 94,965 | - | 20,334 | - | 115,299 |
| Insurance service results | (835,581) | (111) | 617,676 | (1,861) | (219,877) |
| Insurance finance expenses | (281) | - | 20,114 | 742 | 20,575 |
| Total changes in the statement of profit or loss and other comprehensive income | (835,862) | (111) | 637,790 | (1,119) | (199,302) |
| Cash flows | | | | | |
| Premiums received | 940,236 | - | - | - | 940,236 |
| Claims and other insurance service expenses paid | - | - | (478,128) | - | (478,128) |
| Insurance acquisition cashflows | (99,039) | - | (53,252) | - | (152,291) |
| Total cash flows | 841,197 | - | (531,380) | - | 309,817 |
| Other movements | 2,076 | - | - | - | 2,076 |
| Net insurance contract liabilities as at 31 December 2022 | 377,369 | 497 | 1,151,636 | 40,755 | 1,570,257 |
| At 31 December 2022 | | | | | |
| Insurance contract liabilities | 377,369 | 497 | 1,151,636 | 40,755 | 1,570,257 |
| Insurance contract assets | - | - | - | - | - |
| Net insurance contract liabilities | 377,369 | 497 | 1,151,636 | 40,755 | 1,570,257 |

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16. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

16.2 Reinsurance contracts held

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below:

| | 30.06.2023 | | | | |
|--|--|--------------------------------|--|------------------------|-----------------|
| | Assets for remaining coverage | | Amount recoverable from incurred claims | | |
| | Excluding loss-recovery component | Loss-recovery component | Estimates of the present value of future cash flows | Risk adjustment | Total |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 January 2023 | | | | | |
| Reinsurance contract assets | (14,336) | - | 316,405 | 17,924 | 319,993 |
| Reinsurance contract liabilities | - | - | - | - | - |
| Net reinsurance contract assets | (14,336) | - | 316,405 | 17,924 | 319,993 |
| Allocation of reinsurance premiums | (73,873) | - | - | - | (73,873) |
| Amounts recoverable from reinsurers for claims and other expenses incurred in the period | - | - | 12,585 | - | 12,585 |
| Changes in amounts recoverable arising from changes in liability for incurred claims | - | - | (13,632) | (903) | (14,535) |
| Net income or expense from reinsurance contracts held | (73,873) | - | (1,047) | (903) | (75,823) |
| Reinsurance finance income | (101) | - | 5,321 | 293 | 5,513 |
| Total changes in the statement profit or loss and other comprehensive income | (73,974) | - | 4,274 | (610) | (70,310) |
| Cash flows | | | | | |
| Premiums and similar expenses paid | 67,693 | - | (8,000) | - | 59,693 |
| Amounts received | - | - | (12,585) | - | (12,585) |
| Total cash flows | 67,693 | - | (20,585) | - | 47,108 |
| Other movements | - | - | (3,081) | - | (3,081) |
| Net reinsurance contract assets as at 30 June 2023 | (20,617) | - | 297,013 | 17,314 | 293,710 |
| At 30 June 2023 | | | | | |
| Reinsurance contract assets | (20,617) | - | 297,013 | 17,314 | 293,710 |
| Reinsurance contract liabilities | - | - | - | - | - |
| Net reinsurance contract assets | (20,617) | - | 297,013 | 17,314 | 293,710 |

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16. INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

16.2 Reinsurance contracts held (cont'd)

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers, is disclosed in the table below: (cont'd)

| | 31.12.2022 | | | | Total |
|--|--|--------------------------------|--|------------------------|------------------|
| | Assets for remaining coverage | | Amount recoverable from incurred claims | | |
| | Excluding loss-recovery component | Loss-recovery component | Estimates of the present value of future cash flows | Risk adjustment | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 | | | | | |
| Reinsurance contract assets | (15,750) | - | 298,509 | 18,726 | 301,485 |
| Reinsurance contract liabilities | - | - | - | - | - |
| Net reinsurance contract assets | (15,750) | - | 298,509 | 18,726 | 301,485 |
| Allocation of reinsurance premiums | (143,427) | - | - | - | (143,427) |
| Amounts recoverable from reinsurers for claims and other expenses incurred in the period | - | - | 19,424 | - | 19,424 |
| Changes in amounts recoverable arising from changes in liability for incurred claims | - | - | 4,314 | (1,163) | 3,151 |
| Net income or expense from reinsurance contracts held | (143,427) | - | 23,738 | (1,163) | (120,852) |
| Reinsurance finance income | (176) | - | 6,048 | 361 | 6,233 |
| Total changes in the statement profit or loss and other comprehensive income | (143,603) | - | 29,786 | (802) | (114,619) |
| Cash flows | | | | | |
| Premiums and similar expenses paid | 145,017 | - | 8,080 | - | 153,097 |
| Amounts received | - | - | (19,424) | - | (19,424) |
| Total cash flows | 145,017 | - | (11,344) | - | 133,673 |
| Other movements | - | - | (546) | - | (546) |
| Net reinsurance contract assets as at 31 December 2022 | (14,336) | - | 316,405 | 17,924 | 319,993 |
| At 31 December 2022 | | | | | |
| Reinsurance contract assets | (14,336) | - | 316,405 | 17,924 | 319,993 |
| Reinsurance contract liabilities | - | - | - | - | - |
| Net reinsurance contract assets | (14,336) | - | 316,405 | 17,924 | 319,993 |

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17. CASH FLOWS

| | <u>30.06.2023</u> | <u>30.06.2022</u> |
|---|---------------------|------------------------|
| | <u>RM'000</u> | <u>RM'000</u> |
| Cash flow from operating activities | | |
| Net profit for the financial period | 75,904 | 52,124 |
| Investment income | (44,308) | (33,112) |
| Realised (gains) / losses recorded in profit or loss | (617) | 389 |
| Fair value (gains) / losses recorded in profit or loss | (24,282) | 3,016 |
| Purchase of financial assets | (143,464) | (187,804) |
| Proceeds from sale and redemption of financial assets | 47,320 | 2,525 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,535 | 1,500 |
| Depreciation of right-of-use assets | 1,847 | 2,064 |
| Amortisation of intangible assets | 1,455 | 1,454 |
| Remeasurement for right-of-use assets | 2,482 | - |
| Interest expenses on lease liabilities | 100 | 73 |
| Tax expense | 11,367 | 7,445 |
| Operating loss before changes in working capital | <u>(70,661)</u> | <u>(150,326)</u> |
| Changes in working capital: | | |
| Increase in insurance contract liabilities | 58,600 | 62,889 |
| Decrease / (increase) in reinsurance contract assets | 26,871 | (18,749) |
| (Increase) / decrease in other receivables | (4,951) | 2,670 |
| (Decrease) / increase in other liabilities | (3,063) | 5,350 |
| Cash generated from / (utilised in) operating activities | <u><u>6,796</u></u> | <u><u>(98,166)</u></u> |

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

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18. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2023 comprised capital available of RM722,221,000 (31 December 2022: RM669,465,000).

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

| | <u>30.06.2023</u> | <u>31.12.2022</u> |
|--|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| <u>Tier 1 Capital</u> | | |
| Paid-up share capital | 150,000 | 150,000 |
| Reserves, including retained earnings | <u>618,256</u> | <u>596,081</u> |
| | 768,256 | 746,081 |
| <u>Tier 2 Capital</u> | | |
| Fair value through other comprehensive income ("FVOCI") reserves | - | (23,596) |
| Less: | | |
| Intangible asset | (28,889) | (30,222) |
| Deferred tax assets | <u>(17,156)</u> | <u>(22,798)</u> |
| Total Capital Available | <u><u>722,211</u></u> | <u><u>669,465</u></u> |

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