

MANULIFE HOLDINGS BERHAD (197501003360 (24851-H))
Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements

1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting, International Accounting Standard ("IAS") 34: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2022, which were prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), except as disclosed in note 2 to the interim financial statements.

The explanatory notes attached to the 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 Group since the financial year ended 31 December 2022.

2. Significant accounting policies

The accounting policies adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated 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</i>	1 January 2023
Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 <i>Insurance Contracts</i>)	1 January 2023
Definition of Accounting Estimates (Amendments to MFRS 108)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112)	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101)	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2023

The adoption of the above standard and amendments to standards issued by Malaysian Accounting Standards Board ("MASB") in the current financial period do not have any material impact to the financial statements of the Group, except as discussed below.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(a) Changes in accounting and reporting policy

(i) MFRS17 *Insurance Contracts*

MFRS 17 *Insurance Contracts* was issued in May 2017, replacing MFRS 4 *Insurance Contracts*. This standard resulted in significant changes to the accounting for insurance and reinsurance contracts. The Group adopted MFRS 17 *Insurance Contracts*, including any consequential amendments to other standards and subsequent amendments to MFRS 17, beginning the first quarter of 2023, with corresponding comparative financial information provided for 2022.

MFRS 17 establishes principles for recognition, measurement, presentation and disclosures of insurance and reinsurance contracts. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, a risk adjustment for non-financial risk and a contractual service margin ("CSM").

Under MFRS 17, for insurance contracts measured under the general measurement model ("GMM") and variable fee approach ("VFA"), new business gains are recorded on the Consolidated Statements of Financial Position (as part of the CSM component of the insurance contract liability) and amortised into profit or loss as services are provided. New business losses are recorded into profit or loss immediately. For reinsurance contracts held, both reinsurance gain/losses at inception are amortised into profit or loss as services are provided. Also, investment components are no longer included in insurance revenue and insurance service expenses. Any financial changes and financial risk changes related to insurance and reinsurance contracts are recorded separately from insurance and reinsurance service result and are disaggregated between investment result in profit or loss and Other Comprehensive Income ("OCI"). Under the premium allocation approach ("PAA") measurement model, which is applied to contracts that are short term in nature (mostly one year or less), the measurement of insurance and reinsurance contracts are simplified and is similar to the Group's previous accounting treatment of insurance and reinsurance contracts.

During the implementation period of MFRS 17, the Group has determined the following:

- Its insurance contracts are substantially measured using the General Measurement Model ("GMM");
- Policies which have contract boundaries (ie. coverage periods of less than 1 year) are measured under Premium Allocation Approach ("PAA");
- For policies with direct participation features wherein payments on investment returns to policyholders are based on contractual terms which substantially vary with the underlying items are measured using Variable Fee Approach ("VFA") model.

The Group will be applying the GMM model for all reinsurance contracts held.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(a) Changes in accounting and reporting policy (continued)

(ii) MFRS 9 *Financial Instruments*

MFRS 9 *Financial Instruments* was issued in 2014, replacing MFRS 139 *Financial Instruments: Recognition and Measurement*. MFRS 9 was effective for annual periods beginning on or after January 1, 2018 except for entities whose liabilities are primarily insurance contract liabilities. The Group adopted MFRS 9, with related amendments to IFRS 7 *Financial Instruments: Disclosures* as of January 1, 2023.

MFRS 9 does not require restatement of comparative periods except in limited circumstances related to aspects of hedge accounting. Entities are permitted to restate comparatives as long as hindsight is not applied.

Upon the adoption of MFRS 9, the Group adopted the classification overlay approach as allowed under the Amendments to MFRS 17. Under this approach, the Group reclassified and redesignated the financial assets held as of 31 December 2021, as if they have been adopting MFRS 9 as of 31 December 2021, however, no recomputation of Expected Credit Loss is performed. The Group is allowed to use the Impairment Losses recognised under MFRS 139, if any, as the Expected Credit Loss under MFRS 9. In the case of assets classified as FVTPL under MFRS 139, and reclassified as FVOCI under MFRS 9, no impairment was calculated for these financial instruments for financial year ended 31 December 2022.

The adoption of MFRS 9 as of 1 January 2022 resulted in differences in the assets classification when compared to their classification under MFRS 139. Classification changes included reclassifying debt securities supporting insurance contract liabilities from FVTPL under MFRS 139 to FVOCI under MFRS 9 and reclassifying Available-for-sale (“AFS”) equities under MFRS 139 to FVTPL under MFRS 9. These classification changes led the Group to present certain investment results previously reported in profit or loss or OCI under MFRS 139, within OCI or profit or loss under MFRS 9, respectively.

The Group’s accounting policies for classification and measurement of financial instruments and impairment of financial assets in accordance with MFRS 9 are as follows:-

Classification and measurement

The Group classify financial assets into three primary measurement categories: Fair Value Through Profit or Loss (“FVTPL”), Fair Value Through Other Comprehensive Income (“FVOCI”) and Amortised Cost.

The classification of financial assets depends on the Group’s business model of managing the financial assets in order to generate cashflows (“business model test”) and the contractual cashflow characteristics of the financial instruments (“SPPI test”). The business model test determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The SPPI test determines whether the contractual cash flows are solely for payments of principal and interest.

A financial asset is measured at amortised cost if its business model is to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(a) Changes in accounting and reporting policy (continued)

(ii) MFRS 9 *Financial Instruments*(continued)

A financial asset is measured at fair value through other comprehensive income (“FVOCI”) if its business model is both to hold the asset to collect contractual cash flows and to sell the financial asset. In addition, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal.

All other financial assets are classified and measured at FVTPL.

Impairment

MFRS 9 impairment requirements are based on an Expected Credit Loss (“ECL”) model that replaces the Incurred Loss model under the MFRS 139.

The Group’s policy on recognition and measurement of ECL with effect from Transition Date as of 1 January 2023 is similar with the policy as set out in Note (2)(i)(iii) of the audited financial statements for financial year ended 31 December 2022.

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9

Presentation and disclosure differences

There are significant changes to presentation and disclosure of the financial statements upon the adoption of MFRS17. The following outlines some of the key presentation and disclosure changes:

- Statements of Financial Position:
 - (i) Under MFRS 17, the Group presents portfolios of insurance separately from portfolios of reinsurance contracts held, and portfolios of asset position are further presented separately from portfolios of liability position. Policy loans (which were previously reported within Loans and receivables), insurance receivables and payables, provision for outstanding claims (which were reported as separate line items), will be assessed on net portfolio position and reported within Insurance Contract Liabilities or Assets as these are insurance contract related balances. Reinsurance receivables and payables, reinsurance assets and liabilities will be assessed on a net portfolio position and reported within Reinsurance Contract Liabilities or Assets as these are reinsurance contract related. Under MFRS 4, contracts were not split and presented by asset and liability position.
 - (ii) Under MFRS17, Unallocated Surplus of Participating Funds, which represents the surplus which have yet to be declared to Shareholders will be recognised as part of Non-distributable Retained Earnings of the Group. Under MFRS4, these Unallocated Surplus were recognised as part of the Insurance Contract Liabilities.
 - (iii) Under MFRS17, the Group will no longer consolidate and report the Statement of Financial Position of Investment-linked funds together with the Total Assets and Total Liabilities of the Group on a line-by-line basis; instead, the Investment-linked funds will be reported as two separate lines on the Group's Statements of Financial Position as "Segregated Funds Net Assets" and "Segregated Funds Insurance Net Liabilities".
- Statements of Comprehensive Income:
 - (i) The presentation of the statements of comprehensive income will change significantly upon the adoption of MFRS 17, with clear delineation of underwriting and investment results. There will no longer be items such as gross, net or earned premiums or net claims incurred shown on the statement of profit or loss. Under MFRS 17, the Group separately presents insurance revenue, insurance service expense, insurance finance income or expenses, and income or expenses from reinsurance contracts held. Under MFRS 4, the Group reported premium income, gross claims and benefits, changes in insurance contract liabilities, benefits and expenses ceded to reinsurers and changes in reinsurance assets.
 - (ii) Under MFRS17, the Group will no longer consolidate and report the Statement of Profit or Loss of Investment-linked funds together with the income and expense of the Group on a line-by-line basis; instead, the Investment-linked funds will be reported as two separate lines on the Group's Statements of Profit or Loss as "Investment income related to segregated fund net assets" and "Financial changes related to segregated fund net liabilities".

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Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

Financial impact from adoption of MFRS 17

The effects as a result of adoption of MFRS 17 were recognised as adjustments to retained earnings and accumulated other comprehensive income as at 1 January 2022. The adoption resulted in an increase to total equity as of 1 January 2022 by RM173 million (net of tax) as set out below:

Measurement and classification differences	Description
Transition CSM	<p>Contractual Service Margin (CSM) is a new liability that represents future unearned profits on insurance contracts written.</p> <p>For this measurement step, the amount recognised as at the transition date, 1 January 2022 was RM241 million, with a corresponding impact to reduce Total Non-distributable Equity by RM188 million (net of tax).</p>
Contract Measurement	<p>Under MFRS 17, other components of insurance contract liabilities, aside from the CSM, are also remeasured. This measurement step includes the following changes:</p> <p>Higher Risk Adjustments provisions held within the Group's insurance liabilities for non-economic risk on application of the MFRS 17 standard of RM232 million, with a corresponding impact to reduce Total Non-distributable Equity by RM176 million (net of tax);</p> <p>Lower Best Estimate Liability of RM562 million from the removal of sterling reserve requirements for products with negative reserves under MFRS 17 and the Group elected change in reserving methodology for products previously measured on the unearned premium reserve method under MFRS 4 but on a gross premium valuation method under MFRS 17. This has corresponding impact to increase Total Non-distributable Equity by RM425 million (net of tax).</p>
Classification differences	<p>Under MFRS 4, Unallocated Surplus, Asset Revaluation Reserves and Fair Value Reserves of Participating Policyholders' Funds of RM152 million were reported within Insurance Contract Liabilities.</p> <p>Under MFRS 17, these balances are reported as part of the Non-Distributable Equity of the Group. The reclassification has contributed to lower Insurance Contract Liabilities of RM152 million, with a corresponding increase in Non-Distributable Equity of RM108 million (net of tax).</p>

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

Classification differences

The classification of financial assets and the impact as of 1 January 2022 are set out as follows:

- Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.
- The equity shares in non-listed companies that are intended to be held for the foreseeable future will be classified as FVTPL. No impairment losses were recognised in profit or loss during prior periods for these investments.
- All debt securities which include Malaysian Government Securities, Government Investment Issues and corporate debt securities will be measured at FVOCI, as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis, except for those debt securities held by unit trust subsidiaries which will be measured at FVTPL. Accordingly, debts securities currently held as FVTPL assets will be reclassified to FVOCI assets.

The Group reassessed and redesignated one of the subsidiary's debts securities which were previously classified as FVTPL under MFRS9 (on its standalone financial statements) to FVOCI as allowed under Amendment MFRS 17.

No impairment losses were recognised in profit or loss during prior periods for these investments. Accordingly, no ECL recognised for these investments.

- Loans and receivables which include fixed and call deposits and other receivables are held to collect contractual cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria to be carried at amortised cost under MFRS 9. Therefore, reclassification for these instruments is not required.

The reclassification of financial assets from FVTPL to FVOCI, and from FVOCI to FVTPL resulted in a corresponding reclassification from fair value reserve to Shareholders' retained earnings of RM9 million and Participating policyholders' non-distributable retained earnings of RM92 mil at 1 January 2022.

Measurement differences

The Group also remeasured the unquoted equity securities which were previously measured at cost under MFRS 139 to fair value based on its share of the net asset value of the investee at 1 January 2022, resulted in an increase in total retained earnings of RM 7 mil (net of tax).

ECL impact

As the Group adopted the classification overlay approach for comparative balances, no ECL were recorded for the comparative results for financial year ended 31 December 2022. Instead, the effects from the implementation of impairment requirements based on an ECL methodology of RM5 million (net of tax) was recognised on 1 January 2023.

Changes made in relation to adoption of MFRS 9 were presented under "Effect of adopting MFRS 9" at 1 January 2022 and "Effect of adopting MFRS 9 classification overlay" at 1 January 2023 in the Condensed Consolidated Statement of Changes in Equity.

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Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's financial assets as at 1 January 2022.

	Original classification under MFRS 139		New Classification and measurement under MFRS 9		
	AFS RM'000	FVTPL RM'000	FVOCI RM'000	FVTPL RM'000	Segregated Funds Net Asset* RM'000
Equity securities					
- Quoted in Malaysia	633,750	786,964	-	633,750	786,964
- Quoted outside Malaysia	131,774	67,419	-	179,704	19,489
- Unquoted	2,516	-	-	11,476	-
Real estate investment trusts	18,773	8,478	-	18,773	8,478
Unit trust funds	1,206	180,784	-	1,206	180,784
Private equity funds					
- Quoted outside Malaysia	-	19,122	-	19,122	-
Malaysian Government Securities	314,771	78,047	351,137	39,511	2,170
Government Investment Issues	283,634	117,396	344,788	35,640	20,602
Corporate debt securities					
- Unquoted	1,748,511	634,838	1,948,860	350,130	84,359
- Quoted	-	193,621	193,621	-	-
Mutual funds					
- Quoted outside Malaysia	-	217,928	-	-	217,928
Forward foreign exchange contract	-	933	-	-	933
Accrued interest	26,103	10,455	30,528	4,560	1,470
	<u>3,161,038</u>	<u>2,315,985</u>	<u>2,868,934</u>	<u>1,293,872</u>	<u>1,323,177</u>

* Included as part of Segregated Funds Net Assets.

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Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

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

Statement of Financial Position

	31.12.2022	Classification	31.12.2022	Expected	1.1.2023
	As	and	As	credit	As
	previously	measurement	restated	losses	restated
	stated	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Property and equipment	36,085	-	36,085	-	36,085
Investment property	78,902	-	78,902	-	78,902
Intangible assets	126,244	-	126,244	-	126,244
Available-for-sale financial assets	3,126,332	(3,126,332)	-	-	-
Financial assets at fair value through other comprehensive income	-	3,073,251	3,073,251	-	3,073,251
Financial assets at fair value through profit or loss	2,380,807	(1,154,112)	1,226,695	-	1,226,695
Loans and receivables	643,217	(643,217)	-	-	-
Financial assets at amortised cost	-	401,786	401,786	-	401,786
Reinsurance contract assets	10,735	(10,420)	315	-	315
Insurance receivables	11,019	(11,019)	-	-	-
Right-of-use assets	3,478	-	3,478	-	3,478
Deferred tax assets	345	(345)	-	-	-
Current tax assets	26,595	1,492	28,087	-	28,087
Other assets	-	11,657	11,657	-	11,657
Cash and cash equivalents	258,793	(13,917)	244,876	-	244,876
Segregated funds net asset	-	1,324,405	1,324,405	-	1,324,405
TOTAL ASSETS	6,702,552	(146,771)	6,555,781	-	6,555,781

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Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

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

Statement of Financial Position (continued)

	31.12.2022		31.12.2022		1.1.2023
	As	Classification	As	and	As
	previously	measurement	restated	Expected	restated
	stated	RM'000	RM'000	credit	RM'000
	RM'000		RM'000	losses	
				RM'000	RM'000
LIABILITIES					
Insurance contract liabilities	4,561,710	(1,010,186)	3,551,524	-	3,551,524
Segregated funds insurance net liabilities	-	1,324,405	1,324,405	-	1,324,405
Insurance claims liabilities	88,224	(88,224)	-	-	-
Reinsurance contract liabilities	-	54,980	54,980	-	54,980
Financial liability at fair value through profit or loss	12	(12)	-	-	-
Deferred tax liabilities	35,187	69,537	104,724	-	104,724
Insurance payables	814,306	(814,306)	-	-	-
Lease liabilities	3,506	-	3,506	-	3,506
Other liabilities	244,357	106,461	350,818	-	350,818
TOTAL LIABILITIES	5,747,302	(357,345)	5,389,957	-	5,389,957
EQUITY					
Share capital	131,041	-	131,041	-	131,041
Retained earnings	817,999	217,157	1,035,156	(1,868)	1,033,288
Other reserves	6,210	7,352	13,562	1,868	15,430
Total shareholders' equity	955,250	224,509	1,179,759	-	1,179,759
Participating policyholder's equity	-	(13,935)	(13,935)	-	(13,935)
TOTAL EQUITY	955,250	210,574	1,165,824	-	1,165,824
TOTAL LIABILITIES AND EQUITY	6,702,552	(146,771)	6,555,781	-	6,555,781

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

2. Significant accounting policies (continued)

(b) Effects of adoption MFRS 17 and MFRS 9 (continued)

The adoption of MFRS 9 and MFRS 17 resulted in the following effects to the statement of total comprehensive income of the Group for the financial period ended 30 September 2022.

Statement of Total Comprehensive Income

	30.09.2022 As previously stated RM'000	Classification and measurement RM'000	30.09.2022 As restated RM'000
Net profit/(loss) for the financial period	25,411	(27,638)	(2,227)
Other comprehensive (loss)/income, net of tax			
Net (loss)/gain on foreign currency translation	(413)	2,427	2,014
Fair value change of AFS/FVOCI financial assets, net of deferred tax	(30,113)	(104,373)	(134,486)
Insurance finance income, net of deferred tax	-	147,267	147,267
Reinsurance finance expense, net of deferred tax	-	(4,813)	(4,813)
Other comprehensive (loss)/income for the financial period	<u>(30,526)</u>	<u>40,508</u>	<u>9,982</u>
Total comprehensive (loss)/income for the financial period	<u>(5,115)</u>	<u>12,870</u>	<u>7,755</u>

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Part A: Notes to the Interim Financial Statements (Continued)

3. Seasonal/cyclical factors

The business operations of the Group are subject to the sales cycle of the life insurance business and asset management services.

4. Unusual items

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

5. Change in estimates

The Group's insurance subsidiaries, Manulife Insurance Berhad and Manulife Insurance Labuan Limited value policy liabilities using a prospective actuarial valuation. The expected future liabilities are determined using best estimate assumptions with the appropriate risk adjustment to reflect the uncertainty of adverse deviation from expected experience. Valuation assumptions used includes mortality, morbidity, lapse, expense, risk-free interest rate plus illiquidity premium, and participating life funds' yield derived based on asset liability method. For calculating the contractual service margin ("CSM"), the fair value approach is used for all in-force policies sold before 2021, and the full retrospective approach is used for all policies sold in 2021 onwards.

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

6. Debt and equity securities

During the current financial quarter, 3,205,555 new ordinary shares of Manulife Holdings Berhad ("the Company") were issued at the conversion price of RM1.71 per ordinary share for a total of RM5,481,499 in relation to the Dividend Reinvestment Plan exercise undertaken by the Company as per Note 7. The said shares were listed and quoted on the Main Market of Bursa Malaysia Berhad on 10 August 2023.

Besides the above, there were no other issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current quarter ended 30 September 2023.

7. Dividend Paid

On 9 August 2023, the Company paid a final dividend of 7.0 sen per share equivalent to RM15,138,331 in respect of the financial year ended 31 December 2022. Out of the total dividend payout, a total of RM9,656,832 was paid in cash. The remaining RM5,481,499 was converted into new ordinary shares of the Company as per Note 6.

No dividend has been declared in respect of the current financial period ended 30 September 2023.

8. Material events subsequent to the end of the financial period

There is no material event subsequent to the end of the financial period under review that has not been reported in the interim financial statements for the current financial period to date.

9. Changes in composition of the Group

There were no significant changes in the composition of the Group for the current financial period ended 30 September 2023.

10. 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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Part A: Notes to the Interim Financial Statements (Continued)

11. Significant event

On 28 July 2023, Manulife Insurance Berhad and Alliance Bank Malaysia Berhad have extended their exclusive bancassurance partnership for a further 15 years.

12. Current tax assets/(liabilities)

	As at 30.09.2023	As at 31.12.2022
	RM'000	RM'000
Current tax assets	31,171	28,087
Current tax liabilities	(62)	-
	<u>31,109</u>	<u>28,087</u>

Included in the current tax assets are tax paid in relation to two notices of additional assessment ("Forms JA") of RM22.2 million for Year of Assessment 2017 and 2018 in relation to the Company's subsidiary, Manulife Insurance Berhad ("MIB"). MIB had on 24 January 2022 made an application to the Special Commissioner of Income Tax ("SCIT") on the said two additional assessments. Subsequently, a settlement agreement dated 26 July 2023 was recorded between MIB and the Inland Revenue Board pursuant to Section 101 of the Income Tax Act 1967, confirming there was no additional chargeable tax for Years of Assessment 2017 and 2018. MIB has received the Notice of Reduced Assessment (Forms JR) from the Inland Revenue Board on 9 October 2023.

13. Cash and cash equivalents

	As at 30.09.2023	As at 31.12.2022
	RM'000	RM'000
Investment holding	4,769	6,925
Life insurance business:-		
Shareholder's fund	13,815	23,617
Life insurance business	159,018	102,935
Asset management services	111,057	111,399
	<u>288,659</u>	<u>244,876</u>

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Part A: Notes to the Interim Financial Statements (Continued)

14. Insurance and reinsurance contract assets and liabilities

(a) Insurance contract liabilities

	Liabilities for remaining coverage		Liability for incurred claims	Total
	Exclude loss component RM'000	Loss component RM'000	for incurred claims RM'000	RM'000
At 1 January 2023				
Insurance contract liabilities	3,317,046	68,415	166,063	3,551,524
Segregated fund insurance net liabilities	1,324,405	-	-	1,324,405
	<u>4,641,451</u>	<u>68,415</u>	<u>166,063</u>	<u>4,875,929</u>
Insurance revenue				
Expected incurred claims and other insurance service result	(167,456)	-	-	(167,456)
Change in risk adjustment for non-financial risk expired	(27,651)	-	-	(27,651)
CSM recognised for service provided	(34,517)	-	-	(34,517)
Recovery of insurance acquisition cashflows	(28,863)	-	-	(28,863)
Contracts under PAA	(3,613)	-	-	(3,613)
	<u>(262,100)</u>	<u>-</u>	<u>-</u>	<u>(262,100)</u>
Insurance service expense				
Incurred claims and other insurance service expenses	-	(4,328)	170,745	166,417
Losses and reversal of losses on onerous contracts (future service)	-	14,998	-	14,998
Amortisation of insurance acquisition cashflow	29,465	-	-	29,465
	<u>29,465</u>	<u>10,670</u>	<u>170,745</u>	<u>210,880</u>
Investment components and premium refunds	(238,121)	-	238,121	-
Insurance service result	(470,756)	10,670	408,866	(51,220)
Insurance finance expense	162,128	355	4,201	166,684
Effects of movements in exchange rates	19,200	-	31	19,231
Total changes in statement of profit or loss and other comprehensive income	<u>(289,428)</u>	<u>11,025</u>	<u>413,098</u>	<u>134,695</u>
Cash flows				
Premiums and premium tax received	663,450	-	-	663,450
Claims and other insurance service expenses paid, including investment components	-	-	(387,170)	(387,170)
Insurance acquisition cash flows	(175,911)	-	-	(175,911)
Total cash flows	<u>487,539</u>	<u>-</u>	<u>(387,170)</u>	<u>100,369</u>
Movements related to segregated fund insurance net liabilities	59,672	-	-	59,672
At 30 September 2023				
Insurance contract liability	3,515,157	79,440	191,991	3,786,588
Segregated fund insurance net liabilities	1,384,077	-	-	1,384,077
	<u>4,899,234</u>	<u>79,440</u>	<u>191,991</u>	<u>5,170,665</u>

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Part A: Notes to the Interim Financial Statements (Continued)

14. Insurance and reinsurance contract assets and liabilities (continued)

(a) Insurance contract liabilities (continued)

	Liabilities for remaining coverage		Liability for incurred claims	Total
	Exclude loss component RM'000	Loss component RM'000	RM'000	RM'000
At 1 January 2022				
Insurance contract asset	(3,075)	139	-	(2,936)
Insurance contract liabilities	3,287,143	-	132,123	3,419,266
Segregated fund insurance net liabilities	1,397,354	-	-	1,397,354
	<u>4,681,422</u>	<u>139</u>	<u>132,123</u>	<u>4,813,684</u>
Insurance revenue				
Expected incurred claims and other insurance service result	(243,430)	-	-	(243,430)
Change in risk adjustment for non-financial risk expired	(34,121)	-	-	(34,121)
CSM recognised for service provided	(36,477)	-	-	(36,477)
Recovery of insurance acquisition cashflows	(22,004)	-	-	(22,004)
Contracts under PAA	(2,800)	-	-	(2,800)
	<u>(338,832)</u>	<u>-</u>	<u>-</u>	<u>(338,832)</u>
Insurance service expense				
Incurred claims and other insurance service expenses	-	19,773	192,437	212,210
Losses and reversal of losses on onerous contracts (future service)	-	48,395	-	48,395
Changes to liabilities for incurred claims (past service)	-	-	1,715	1,715
Amortisation of insurance acquisition cashflow	21,719	-	-	21,719
	<u>21,719</u>	<u>68,168</u>	<u>194,152</u>	<u>284,039</u>
Investment components and premium refunds	(302,475)	-	302,475	-
Insurance service result	(619,588)	68,168	496,627	(54,793)
Insurance finance expense	20,840	108	(12,334)	8,614
Effects of movements in exchange rates	15,666	-	19	15,685
Total changes in statement of profit or loss and OCI	<u>(583,082)</u>	<u>68,276</u>	<u>484,312</u>	<u>(30,494)</u>
Cash flows				
Premiums and premium tax received	852,000	-	-	852,000
Claims and other insurance service expenses paid, including investment components	-	-	(449,994)	(449,994)
Insurance acquisition cash flows	(236,318)	-	-	(236,318)
Total cash flows	<u>615,682</u>	<u>-</u>	<u>(449,994)</u>	<u>165,688</u>
Movements related to segregated fund insurance net liabilities	(72,949)	-	-	(72,949)
At 31 December 2022				
Insurance contract asset	-	-	-	-
Insurance contract liability	3,316,668	68,415	166,441	3,551,524
Segregated fund insurance net liabilities	1,324,405	-	-	1,324,405
	<u>4,641,073</u>	<u>68,415</u>	<u>166,441</u>	<u>4,875,929</u>

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Part A: Notes to the Interim Financial Statements (Continued)

14. Insurance and reinsurance contract assets and liabilities (continued)

(b) Reinsurance contract liabilities

	Liabilities for remaining coverage		Receivable for incurred claims RM'000	Total RM'000
	Excluding loss recovery component RM'000	Loss recovery component RM'000		
At 1 January 2023				
Reinsurance contract assets	775	-	(460)	315
Reinsurance contract liabilities	(46,590)	75	(8,465)	(54,980)
	<u>(45,815)</u>	<u>75</u>	<u>(8,925)</u>	<u>(54,665)</u>
Changes in statement of profit or loss and other comprehensive income				
Allocation of premiums paid				
Expected incurred claims and other insurance service result	(35,636)	-	-	(35,636)
Change in risk adjustment for non-financial risk expired	(1,357)	-	-	(1,357)
CSM recognized for service provided	(6,143)	-	-	(6,143)
PAA contract revenue	(48)	-	-	(48)
Ceded commissions and expense allowances	1,558	-	-	1,558
Experience refunds	3,549	-	-	3,549
	<u>(38,077)</u>	<u>-</u>	<u>-</u>	<u>(38,077)</u>
Amounts recovered from reinsurers				
Recoveries of incurred claims and expenses	-	(495)	37,569	37,074
Recoveries of losses and reversal of losses on onerous contracts (future service)	-	3,385	-	3,385
Changes to liabilities for incurred claims (past service)	-	-	-	-
	<u>-</u>	<u>2,890</u>	<u>37,569</u>	<u>40,459</u>
Net expenses from reinsurance contracts	(38,077)	2,890	37,569	2,382
Net finance income from reinsurance contracts	(6,905)	66	-	(6,839)
Effect of changes in non-performance risk of reinsurers	130	-	-	130
Effect of movement in exchange rates	(163)	-	(12)	(175)
Total changes in statement of profit or loss and other comprehensive income	<u>(45,015)</u>	<u>2,956</u>	<u>37,557</u>	<u>(4,502)</u>
Cash flows				
Premiums paid	55,866	-	-	55,866
Amounts received	-	-	(28,596)	(28,596)
Total cash flows	<u>55,866</u>	<u>-</u>	<u>(28,596)</u>	<u>27,270</u>
At 30 September 2023				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	(34,964)	3,031	36	(31,897)
	<u>(34,964)</u>	<u>3,031</u>	<u>36</u>	<u>(31,897)</u>

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

14. Insurance and reinsurance contract assets and liabilities (continued)

(b) Reinsurance contract liabilities (continued)

	Liabilities for remaining coverage		Receivable for incurred claims RM'000	Total RM'000
	Excluding loss recovery component RM'000	Loss recovery component RM'000		
At 1 January 2022				
Reinsurance contract assets	(456)	-	4,942	4,486
Reinsurance contract liabilities	(65,531)	-	(14,445)	(79,976)
	<u>(65,987)</u>	<u>-</u>	<u>(9,503)</u>	<u>(75,490)</u>
Changes in statement of profit or loss and other comprehensive income				
Allocation of premiums paid				
Expected incurred claims and other insurance service result	(53,874)	-	-	(53,874)
Change in risk adjustment for non-financial risk expired	(851)	-	-	(851)
CSM recognized for service provided	(1,969)	-	-	(1,969)
PAA contract revenue	(63)	-	-	(63)
Ceded commissions and expense allowances	1,936	-	-	1,936
Experience refunds	591	-	-	591
	<u>(54,230)</u>	<u>-</u>	<u>-</u>	<u>(54,230)</u>
Amounts recovered from reinsurers				
Recoveries of incurred claims and expenses	-	(16)	46,366	46,350
Recoveries of losses and reversal of losses on onerous contracts (future service)	-	88	-	88
Changes to liabilities for incurred claims (past service)	-	-	(890)	(890)
	<u>-</u>	<u>72</u>	<u>45,476</u>	<u>45,548</u>
Net expenses from reinsurance contracts	(54,230)	72	45,476	(8,682)
Net finance income from reinsurance contracts	(3,155)	3	-	(3,152)
Effect of changes in non-performance risk of reinsurers	27	-	-	27
Effect of movement in exchange rates	(59)	-	(9)	(68)
Total changes in statement of profit or loss and other comprehensive income	<u>(57,417)</u>	<u>75</u>	<u>45,467</u>	<u>(11,875)</u>
Cash flows				
Premiums paid	77,589	-	-	77,589
Amounts received	-	-	(44,889)	(44,889)
Total cash flows	<u>77,589</u>	<u>-</u>	<u>(44,889)</u>	<u>32,700</u>
At 31 December 2022				
Reinsurance contract assets	775	-	(460)	315
Reinsurance contract liabilities	(46,590)	75	(8,465)	(54,980)
	<u>(45,815)</u>	<u>75</u>	<u>(8,925)</u>	<u>(54,665)</u>

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

15. Derivatives

The table below shows the fair value of derivative financial instruments, recorded as financial asset at fair value through profit or loss or financial liability at fair value through profit or loss, together with their notional amounts. The notional amount, recorded at gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. Derivative financial instruments held by the Group are forward foreign exchange contract to hedge its currency risk, any fair value gains/losses on this financial instrument are recognised as financial asset/liability.

	Notional amount RM'000	Fair value gain/(loss) recognised as		Net carrying amount RM'000
		Financial asset RM'000	Financial liability RM'000	
30 September 2023				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	40,600	-	(2,471)	(2,471)
	<u>40,600</u>	<u>-</u>	<u>(2,471)</u>	<u>(2,471)</u>
31 December 2022				
Hedging derivative:				
Forward foreign exchange contract				
- Less than 1 year	31,802	1,865	-	1,865
	<u>31,802</u>	<u>1,865</u>	<u>-</u>	<u>1,865</u>

There is no change in risks and policies associated with the derivatives and its related accounting policies since the financial year ended 31 December 2022.

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Part A: Notes to the Interim Financial Statements (Continued)

16. Investment income

	3 months ended		Cumulative 9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Investment income:				
<u>Financial assets at FVTPL</u>				
Interest/profit sharing income:				
Debt securities	3,536	4,270	12,100	12,300
Structured product	252	-	592	-
Dividend/distribution income:				
Equity securities				
- quoted in Malaysia	9,225	8,381	21,728	19,500
- quoted outside Malaysia	135	121	470	761
- unquoted in Malaysia			6	-
Real estate investment trusts				
- quoted in Malaysia	213	194	507	548
Private equity funds	-	10	35	32
<u>Financial assets at FVOCI</u>				
Interest/profit sharing income:				
Debt securities	37,880	34,444	110,951	98,923
Private debt securities	124	-	198	-
Net amortisation of premiums	(2,038)	(2,327)	(5,495)	(7,448)
<u>Financial assets at amortised cost</u>				
Interest/profit sharing income	2,636	2,016	7,774	5,516
<u>Investment properties</u>				
Rental income	1,359	1,044	3,151	2,353
Other income	49	(82)	163	58
	53,371	48,071	152,180	132,543
Realised and unrealised losses on assets supporting insurance:				
Net realised gains/(losses)				
Equity securities	4,796	2,608	17,012	23,502
Debt securities	324	(2,073)	1,642	(7,098)
Derivatives	(431)	(24)	1,326	(24)
	4,689	511	19,980	16,380
Net fair value gains/(losses)				
Equity securities	25,115	(27,193)	(10,083)	(107,909)
Debt securities	(1,014)	(1,058)	9,932	(16,718)
Structured product	601	-	4,693	-
Derivatives	(138)	(1,247)	(4,336)	(1,247)
Foreign exchange gains	(40)	18,201	5,473	21,576
	24,524	(11,297)	5,679	(104,298)

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Part A: Notes to the Interim Financial Statements (Continued)

16. Investment income (continued)

	3 months ended		Cumulative 9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Expected credit loss				
<u>Financial assets at FVOCI</u>				
Debt securities	197	-	578	-
	<u>29,410</u>	<u>(10,786)</u>	<u>26,237</u>	<u>(87,918)</u>
Investment expenses	(2,081)	(3,161)	(6,505)	(5,572)
Net investment income	<u>80,700</u>	<u>34,124</u>	<u>171,912</u>	<u>39,053</u>

17. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	3 months ended		Cumulative 9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	1,083	603	2,097	3,127
Depreciation of property and equipment	822	896	2,398	2,689
Net investment income (Note 16)	(80,700)	(34,124)	(171,912)	(39,053)

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Part A: Notes to the Interim Financial Statements (Continued)

18. Taxation

	3 months ended		Cumulative 9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<u>Income tax</u>				
Current financial period	5,956	12,076	14,966	22,781
	<u>5,956</u>	<u>12,076</u>	<u>14,966</u>	<u>22,781</u>
<u>Deferred tax</u>				
Origination of temporary differences	6,234	(87)	5,673	(6,906)
	<u>6,234</u>	<u>(87)</u>	<u>5,673</u>	<u>(6,906)</u>
	<u>12,190</u>	<u>11,989</u>	<u>20,639</u>	<u>15,875</u>

The income tax for the Group is calculated based on the tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as below.

	3 months ended		Cumulative 9 months ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>23,531</u>	<u>11,674</u>	<u>65,600</u>	<u>13,648</u>
Taxation at Malaysian statutory tax rate of 24%	5,648	2,801	15,744	3,275
Effect of different in tax rate	3,558	4,292	3,864	7,489
Section 110B tax credit set off	(345)	(1,064)	(1,409)	(2,050)
Income not subject to tax	637	(2,122)	(2,447)	(4,682)
Expenses not deductible for tax purposes	2,741	8,062	4,974	11,761
Changes in unrecognised deferred tax assets	(49)	20	(87)	82
	<u>12,190</u>	<u>11,989</u>	<u>20,639</u>	<u>15,875</u>

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Part A: Notes to the Interim Financial Statements (Continued)

19. Basic and diluted earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue.

		3 months ended		Cumulative 9 months ended	
		30.09.2023	30.09.2022	30.09.2023	30.09.2022
Net profit/(loss) attributable to owners of the Company	(RM'000)	<u>13,417</u>	<u>(577)</u>	<u>42,501</u>	<u>(10,802)</u>
Weighted average number of ordinary shares in issue	('000)	<u>219,467</u>	<u>214,933</u>	<u>216,884</u>	<u>212,696</u>
Basic and diluted earnings per share	(Sen)	<u>6.15</u>	<u>(0.25)</u>	<u>19.60</u>	<u>(5.08)</u>

The Company has no potential dilutive ordinary shares in issue as at the date of the statement of financial position and therefore, diluted earnings per share have not been presented.

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Part A: Notes to the Interim Financial Statements (Continued)

20. Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms with the respective parties. The significant related party transactions during the financial period between the Group and their related parties are set out as below:

	30.09.2023	Cumulative 9 months ended 30.09.2022
	RM'000	RM'000
Expenses/(income):		
Penultimate holding company		
Information technology outsourcing expenses	948	549
Outsourcing fee income	(700)	-
Intermediate holding company		
Reimbursement of personnel expenses	3,030	2,200
Reimbursement of director fees	126	55
Reimbursement of software maintenance expenses	4,430	3,728
Reimbursement of consultation fee	24	96
Reimbursement of overhead expense	(1,131)	(655)
Reimbursement of education and training expenses	33	5
Reimbursement of travelling expense	-	14
Regional office functional services and support	626	-
Provision of IT development services	1,700	-
Provision of IT infrastructure support and maintenance services	10,116	13,078
Provision of accounting and finance support	678	150
Provision of HR support	537	517
Provision of staff claims system	25	24
Provision of compliance support	27	78
Subsidiaries of ultimate holding company		
Rebate income	(7,188)	(7,611)
Outsourcing fee income	(2,567)	(2,575)
Outsourcing fee expense	218	261
Management fee expense	5,934	4,132
Investment consulting services	861	379
Information technology outsourcing expenses	360	224
Provision of IT infrastructure support and maintenance services	2,556	2,782

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Part A: Notes to the Interim Financial Statements (Continued)

21. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss ("FVTPL");
- (ii) Fair value through other comprehensive income ("FVOCI");
- (iii) Amortised cost ("AC")

Group	FVTPL RM'000	FVOCI RM'000	AC RM'000	Total RM'000
30 September 2023				
Financial assets				
Financial assets at FVOCI	-	3,352,556	-	3,352,556
Financial assets at FVTPL	1,195,627	-	-	1,195,627
Financial assets at amortised cost	-	-	293,569	293,569
Cash and cash equivalents	-	-	288,659	288,659
	<u>1,195,627</u>	<u>3,352,556</u>	<u>582,228</u>	<u>5,130,411</u>
Financial liabilities				
Financial liabilities at FVTPL	2,471	-	-	2,471
Lease liabilities	-	-	2,591	2,591
Other liabilities	-	-	384,416	384,416
	<u>2,471</u>	<u>-</u>	<u>387,007</u>	<u>389,478</u>
31 December 2022				
Financial assets				
Financial assets at FVOCI	-	3,073,251	-	3,073,251
Financial assets at FVTPL	1,226,695	-	-	1,226,695
Financial assets at amortised cost	-	-	401,786	401,786
Cash and cash equivalents	-	-	244,876	244,876
	<u>1,226,695</u>	<u>3,073,251</u>	<u>646,662</u>	<u>4,946,608</u>
Financial liabilities				
Lease liabilities	-	-	3,506	3,506
Other liabilities	-	-	350,818	350,818
	<u>-</u>	<u>-</u>	<u>354,324</u>	<u>354,324</u>

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Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy

(a) Freehold property and investment property

The fair value of the Group's freehold property and investment property is determined based on the income method conducted by an independent qualified valuer.

Under the income method, the market value of the properties is determined based on the net annual income which is derived by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:-

Level 1 – Fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the properties.

The fair value of freehold property and investment property is classified within Level 3 of the fair value hierarchy. The fair value of the property is as follows:

	<u>Freehold property</u>		<u>Investment property</u>	
	<u>As at 30.09.2023</u>	<u>As at 31.12.2022</u>	<u>As at 30.09.2023</u>	<u>As at 31.12.2022</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Carrying amount	<u>20,666</u>	<u>21,098</u>	<u>78,902</u>	<u>78,902</u>
Fair value as stated in valuation report*	<u>21,098</u>	<u>21,098</u>	<u>78,902</u>	<u>78,902</u>

* Based on the valuation conducted by an independent qualified valuer on 31 December 2022.

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Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy (continued)

(a) Freehold property and investment property (continued)

Description of valuation techniques used and significant unobservable inputs to valuation of freehold property and investment property:

	Valuation technique	Significant unobservable inputs	Range
2022			
Freehold/ investment property	Income method	Term period's net yield	5.00% - 6.50%
		Reversionary period's net yield	6.00%
		Void factor	5.00%
		Average rental for term period	RM4.64 psf
		Average rental for reversionary period	RM4.69 psf
		Outgoings for term period	RM1.70 psf
		Outgoings for reversionary period	RM1.75 psf

Significant increase or decrease in each of the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value of the properties.

The reconciliation from beginning to ending balances for the freehold property and investment property are as follows:

	Freehold property		Investment property	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	21,098	26,420	78,902	73,580
Transfer to investment property	-	(4,830)	-	4,830
Depreciation charge for the period/year	(432)	(574)	-	-
Fair value gain	-	82	-	492
At 30 September/31 December	<u>20,666</u>	<u>21,098</u>	<u>78,902</u>	<u>78,902</u>

Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy (continued)

(b) Financial assets and financial liabilities

(i) Determination of fair values

The fair values of the Group's financial assets and financial liabilities are determined as follows:

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and bank balances, insurance payables and other payables (other than the amount payable under Distribution Agreement), are reasonable approximations of their fair values due to the relatively short-term maturity of these balances and the immaterial impact of discounting;
- (ii) The carrying amount of amount payable under Distribution Agreement which is the remaining present value of the expected future cash flow discounted using the discount rate that reflects the current market assessment of the time value of money, are reasonable approximations of their fair values;
- (iii) The fair values of quoted equities and investments in real estate investment trusts are based on quoted market prices as at the reporting date;
- (iv) The fair values of unquoted equities are based on adjusted net asset value of the investee;
- (v) The fair values of Malaysian Government Securities, Government Investment Issues and both quoted and unquoted corporate debt securities are based on indicative market prices;
- (vi) The fair values of investments in mutual funds and unit trust funds are valued based on the net asset values of the underlying funds as at the reporting date;
- (vii) The fair values of foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices; and
- (viii) The fair values of private equity funds are measured based on the private equity funds' net asset value or fair values reported in investees' financial statements as a measure of fair value.
- (ix) The fair value of structure product is based on the mark-to-market value of the principal amount and fixed coupon which is calculated by discounting these amounts at the prevailing funding rate of the counterparty bank. The funding rate of the counterparty bank is typically a market observable input such as the swap rate or KLIBOR or its equivalent.
- (x) The fair value of private debt securities is based on market observable inputs such as the prevailing yield/price for comparable tenure and rating of the security.

Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy (continued)

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

The Group categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Group's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 –Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Group has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 –Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, 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.

Level 3 –Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

In determining the fair value of its financial instruments, the Group uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy (continued)

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

The following table presents the Group's financial assets and financial liabilities that are carried at fair value as at reporting date.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 September 2023				
Financial assets at FVOCI				
Malaysian Government Securities	460,679	-	460,679	-
Government Investment Issues	456,022	-	456,022	-
Corporate debt securities				
- Unquoted	2,120,632	-	2,120,632	-
- Quoted outside Malaysia	262,282	-	262,282	-
Private debt securities				
- Unquoted outside Malaysia	12,844	-	12,844	-
Accrued interest	40,097	-	40,097	-
	<u>3,352,556</u>	<u>-</u>	<u>3,352,556</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	585,459	585,459	-	-
- Quoted outside Malaysia	100,282	100,282	-	-
- Unquoted in Malaysia	12,436	-	-	12,436
Private equity funds				
- Unquoted outside Malaysia	53,310	-	-	53,310
Structured product	62,683	-	62,683	-
Real estate investment trusts	12,043	12,043	-	-
Unit trust funds	1,643	1,643	-	-
Malaysian Government Securities	23,983	-	23,983	-
Government Investment Issues	29,933	-	29,933	-
Corporate debt securities				
- Unquoted	308,480	-	308,480	-
Accrued interest	5,375	-	5,375	-
	<u>1,195,627</u>	<u>699,427</u>	<u>430,454</u>	<u>65,746</u>
	<u>4,548,183</u>	<u>699,427</u>	<u>3,783,010</u>	<u>65,746</u>
Financial liability at FVTPL				
Forward foreign exchange contract	2,471	-	2,471	-

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy (continued)

(b) Financial assets and financial liabilities

(ii) Fair value hierarchy

The following table presents the Group's financial assets and financial liabilities that are carried at fair value as at reporting date. (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2022				
Financial assets at FVOCI				
Malaysian Government Securities	463,414	-	463,414	-
Government Investment Issues	367,626	-	367,626	-
Corporate debt securities				
- Unquoted	1,976,698	-	1,976,698	-
- Quoted outside Malaysia	233,589	-	233,589	-
Accrued interest	31,924	-	31,924	-
	<u>3,073,251</u>	<u>-</u>	<u>3,073,251</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	579,762	579,762	-	-
- Quoted outside Malaysia	146,456	146,456	-	-
- Unquoted in Malaysia	11,476	-	-	11,476
Private equity funds				
- Unquoted outside Malaysia	35,639	-	-	35,639
Real estate investment trusts	11,859	11,859	-	-
Unit trust funds	1,198	1,198	-	-
Forward foreign exchange contract	1,865	-	1,865	-
Malaysian Government Securities	53,358	-	53,358	-
Government Investment Issues	47,443	-	47,443	-
Corporate debt securities				
- Unquoted	333,159	-	333,159	-
Accrued interest	4,480	-	4,480	-
	<u>1,226,695</u>	<u>739,275</u>	<u>440,305</u>	<u>47,115</u>
	<u>4,299,946</u>	<u>739,275</u>	<u>3,513,556</u>	<u>47,115</u>

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the current and previous financial periods.

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

22. Determination of fair values and fair value hierarchy (continued)

(b) Financial assets and financial liabilities

(iii) Financial assets which are measured at fair value using significant unobservable inputs (Level 3)

The reconciliation from beginning to ending balance for the investments classified in Level 3 fair value hierarchy:

	2023	2022
	RM'000	RM'000
Private Equity Funds		
At 1 January	35,639	19,122
Capital contributions	7,547	11,211
Capital returns	(23)	(15)
Fair value gain recognised in profit or loss	7,470	4,086
Currency movement	2,677	1,235
At 30 September/31 December	<u>53,310</u>	<u>35,639</u>
	2023	2022
	RM'000	RM'000
Equity securities – Unquoted in Malaysia		
At 1 January	11,476	11,476
Fair value gain recognised in profit or loss	960	-
At 30 September/31 December	<u>12,436</u>	<u>11,476</u>

Description of valuation methodology and significant unobservable inputs to valuation of private equities:

	Fair Value	Valuation Methodology	Unobservable Input	Input Values
2023	RM'000			
Private equity funds	53,310	Net asset value (“NAV”)	NAV	NAV
Equity securities - Unquoted in Malaysia	12,436	Net asset value (“NAV”)	NAV	NAV
2022				
Private equity funds	35,639	Net asset value (“NAV”)	NAV	NAV
Equity securities - Unquoted in Malaysia	11,476	Net asset value (“NAV”)	NAV	NAV

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Interim financial statements for the financial period ended 30 September 2023

Part A: Notes to the Interim Financial Statements (Continued)

23. Capital and other commitments

	As at 30.09.2023 RM'000	As at 31.12.2022 RM'000
Other commitments		
Exclusive bancassurance agreement - Authorised but not provided for	<u>62,000</u>	<u>1,500</u>
Distribution agreement - Authorised but not provided for	<u>-</u>	<u>2,764</u>
Investment in Private Equity Funds		
As at 1 January	30,349	38,796
Capital committed	42,257	-
Capital called	(7,547)	(11,211)
Capital return	18	15
Expenses incurred	(267)	(122)
Currency movement	<u>831</u>	<u>2,871</u>
At 30 September/31 December	<u>65,641</u>	<u>30,349</u>

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Interim financial statements for the financial period ended 30 September 2023

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia

B1. Current financial year prospects

Malaysia's Q2 2023's gross domestic product (GDP) expanded by 2.9%, bringing the first half of 2023's growth to 4.2%. This is in line with the Government's growth forecast of 4.0% – 5.0% for 2023. Domestic demand remained resilient in the second quarter registering a 4.5% increase while Malaysia's total trade contracted by 11.3% to RM643.4 billion in Q2 2023. Public and private expenditures grew 4.6% and 4.5% respectively. Against softening trade, Manufacturing PMI fell to 46.8 in September 2023 from 47.8 in August 2023 which was the 13th straight month of drop in the manufacturing sector with new export orders shrinking. The Government has retained its forecast for GDP growth of between 4% - 5% in 2023.

Malaysia's headline inflation remained unchanged at 2% in August 2023 similar with July 2023's inflation though core inflation was slightly elevated at 2.5% August 2023 signifying more sticky prices due to domestic demand. Malaysia's unemployment rate was steady at 3.4% in August 2023.

The outlook for the insurance industry in Malaysia is expected to face a mix of opportunities and challenges. After a strong economic recovery in 2022, growth is projected to moderate in 2023 due to external headwinds, and inflation to remain elevated could impact consumer discretionary purchasing power for insurance products. Nonetheless, the rising concerns about health and mortality risks has led to a widespread feeling of being underinsured. We would navigate through these challenges and capitalise on the opportunities arising by committedly delivering our Scale Up agenda:

- Strengthen growth via strong growth in productive and professional agency force; expansion in bancassurance and alternative partnerships with a focus on new customer acquisition;
- Customer centricity by establishing strong value proposition/offerings to suit different segment needs that evolve over time and continue to improve customer experience, driving digital first and convenience;
- Accelerate digitisation with continuous investment to be the Digital Customer Leader, build a digitally enabled salesforce and elevate automation for operating efficiency;
- Level-up talents through building future-proof high performing teams, at a workplace with strong culture focused on Diversity, Equity and Inclusion (DEI);
- Enhance value creation for shareholders by driving desired product mix, efficient expense management, inforce management and optimising resource utilisation;

We aspire to build-to-last by continually fostering a strong risk culture with effective governance in place; with continued focus on embedding Environmental, Social and Governance (ESG) considerations in all our initiatives.

Asset Management Business

As the year progresses, Q3 2023 continued to be a challenging period with geopolitical uncertainties continued to bog down global markets and sentiment. Looking ahead to the last quarter in 2023, we remain cautiously optimistic on the local equity market. While we anticipate that the local equity market will continue to catch up with its regional peers, we acknowledge that global equity markets are likely to experience high volatility. This volatility is due to a range of factors, including a possible mild recession in the US, stubborn global inflation rates, fear of elevated US Fed rates, China's weak economic data, and geopolitical tensions. These challenges may limit the upside potential in the local market.

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Interim financial statements for the financial period ended 30 September 2023

Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (continued)

B2. Operating segments

The core businesses of the Group are that of life insurance business, management of unit trust funds, private retirement scheme funds, investment and fund management. Segment information is presented in respect of the Group's business segments, which are as follows:

Investment holding : Investment holding operations and other segments (including trust funds over which the Company have significant control)
 Life insurance : Underwriting of Participating life and Non-participating life insurance and unit-linked products
 Asset management services : Asset management, unit trust and private retirement scheme funds

	Cumulative 9 months ended 30 September							
	Investment holding		Life insurance business		Asset management services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>External revenue</u>								
(a) Insurance revenue	-	-	262,100	244,678	-	-	262,100	244,678
(b) Investment income	18,460	17,406	132,776	114,828	944	309	152,180	132,543
(c) Fee income	-	-	-	-	91,464	90,719	91,464	90,719
Total external revenue	18,460	17,406	394,876	359,506	92,408	91,028	505,744	467,940
<u>Inter-segment revenue</u>								
(a) Rental income	1,253	1,330	571	579	-	-	1,824	1,909
(b) Fee income	1,310	1,015	4,020	2,975	11,045	10,159	16,375	14,149
(c) Dividend income from unit trust funds	-	-	13,817	13,379	-	-	13,817	13,379
Total inter-segment revenue	2,563	2,345	18,408	16,933	11,045	10,159	32,016	29,437
Total revenue by segment	21,023	19,751	413,284	376,439	103,453	101,187	537,760	497,377
Profit/(loss) before taxation	18,937	(9,097)	33,735	9,028	12,928	13,717	65,600	13,648
Segment assets	1,048,417	1,191,022	6,527,587	5,945,237	208,932	205,007	7,784,936	7,341,266
Segment liabilities	20,226	8,379	5,595,154	5,078,486	108,720	118,839	5,724,100	5,205,704

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Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B2. Operating segments (continued)

Reconciliation of reportable segments

	Cumulative 9 months ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
<u>Total revenue</u>		
Total revenue for reportable segments	537,760	497,377
Elimination of inter-segment revenue	(32,016)	(29,437)
Total revenue as per statement of profit or loss	505,744	467,940
	As at	As at
	30.09.2023	30.09.2022
<u>Segment assets</u>		
Total assets for reportable segments	7,784,936	7,341,266
Elimination of inter-segment assets	(871,710)	(999,163)
Total assets as per statement of financial position	6,913,226	6,342,103
<u>Segment liabilities</u>		
Total liabilities for reportable segments	5,724,100	5,205,704
Elimination of inter-segment liabilities	(17,732)	(48)
Total liabilities as per statement of financial position	5,706,368	5,205,656

B3. Review of performance

The management uses **operating revenue** as a measure of performance for each operating segment. Operating revenue for each reportable segment consists of gross premiums, investment income and fee income.

Business Segment	3 months ended			Cumulative 9 months ended		
	30.09.2023	30.09.2022	Increase/ (decrease)	30.09.2023	30.09.2022	Increase/ (decrease)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Operating Revenue</u>						
Investment holding	5,831	6,279	(448)	18,460	17,406	1,054
Life insurance business	145,652	134,277	11,375	394,876	359,506	35,370
Asset management services	28,566	27,985	581	92,408	91,028	1,380
Total	180,049	168,541	11,508	505,744	467,940	37,804
<u>Profit/(loss) before taxation</u>						
Investment holding	2,557	1,708	849	18,937	(9,097)	28,034
Life insurance business	12,644	4,996	7,648	33,735	9,028	24,707
Asset management services	8,330	4,970	3,360	12,928	13,717	(789)
Total	23,531	11,674	11,857	65,600	13,648	51,952

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Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B3. Review of performance (continued)

Financial Period ended 30 September 2023 vs Financial Period ended 30 September 2022

The Group's operating revenue for the financial period ended 30 September 2023 increased by RM37.8 million compared to the financial period ended 30 September 2022 (2023: RM505.7 million, 2022: RM467.9 million). The Group's profit before tax for YTD September 2023 was RM65.6 million, an increase of RM52.0 million as compared to the profit before tax for YTD September 2022 of RM13.6 million.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue improved slightly by RM1.0 million, while profit before tax increased RM28.0 million mainly due to higher unrealised gains from FVTPL debt securities as a result of lower interest rate.

Life insurance business – Operating revenue of life insurance business increased by RM35.4 million mainly due to higher contractual service margin (“CSM”) amortisation and risk adjustment release as a result of higher inforce business. Profit before tax increased by RM24.7 million mainly due to an improvement in investment results arising from lower fair value loss from equity investments.

Asset management services – Operating revenue increased by RM1.4 million due to higher fee income earned on asset under management, offset by slightly lower upfront fee from sales of unit trust funds. Profit before tax fell by RM0.8 million mainly due to higher expenses incurred.

3rd Quarter 2023 vs 3rd Quarter 2022

The Group's operating revenue for the quarter ended 30 September 2023 increased by RM11.5 million compared to the corresponding quarter last year (2023: RM180.0 million, 2022: RM168.5 million). The Group's profit before tax for Q3 2023 was RM23.5 million, an increase of RM11.8 million compared to RM11.7 in Q3 2022.

Performance of the respective operating business segments are as follows:

Investment holding – Operating revenue decreased slightly by RM0.5 million, while profit before tax increased slightly by RM0.9 million mainly due to higher unrealised gains from FVTPL debt securities as a result of lower interest rate.

Life insurance business – Operating revenue of life insurance business increased by RM11.4 million mainly due to higher contractual service margin (“CSM”) amortisation and risk adjustment release as a result of higher inforce business. Profit before tax increased by RM7.6 million mainly contributed by improvement in insurance service result arising from favourable claim experience and update of actuarial assumptions.

Asset management services – Operating revenue increased slightly by RM0.6 million while profit before tax increased by RM3.4 million due to higher fee income earned on asset under management and lower expenses.

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Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B4. Commentary on the quarterly results compared to the results of preceding quarter

Business Segment	3 months ended		
	30.09.2023	30.06.2023	Increase/(decrease)
	RM'000	RM'000	RM'000
<u>Operating Revenue</u>			
Investment holding	5,831	6,299	(468)
Life insurance business	145,652	124,440	21,212
Asset management services	28,566	33,394	(4,828)
Total	180,049	164,133	15,916
<u>Profit before taxation</u>			
Investment holding	2,557	5,725	(3,168)
Life insurance business	12,644	12,621	23
Asset management services	8,330	2,640	5,690
Total	23,531	20,986	2,545

The Group's operating revenue for the current quarter under review ("Q3 2023") increased by RM15.9 mil compared with the preceding quarter ended 30 June 2023 ("Q2 2023"). The Group recorded a profit before tax of RM23.5 million in Q3 2023 compared with a profit before tax of RM21.0 million for Q2 2023. The increase in profit before tax by RM2.5 million was contributed by the following segments:

Investment holding – Operating revenue remains consistent with Q2 2023 with a slight decrease of RM0.5 million and profit before tax is lower by RM3.2 million in Q3 2023 due to lower unrealised gains from FVTPL debt securities as compared to Q2 2023.

Life insurance business – Operating revenue of life insurance business increased significantly by RM21.2 million as compared to Q2 2023 mainly due to higher contractual service margin ("CSM") amortisation and risk adjustment release as a result of higher inforce business and higher dividend income from equity investments. Profit before tax remains consistent with Q2 2023 with a slight increase of RM0.02 million.

Asset management services – Operating revenue decreased by RM4.8 million in Q3 2023 due to lower upfront fee from sales of unit trust funds. Profit before tax increased by RM5.7 million mainly due to lower expenses incurred in the current period.

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Part B: Notes pursuant to Main Market Listing Requirements of Bursa Malaysia (Continued)

B5. Profit forecast

The Group did not issue any profit forecast during the financial period ended 30 September 2023.

B6. Status of corporate proposal

There are no corporate proposals announced but not completed during the financial period ended 30 September 2023.

B7. Group borrowings

The Group did not have any borrowings as at 30 September 2023.

B8. Material litigation

There is no material litigation as at the date of this report and since the date of the last annual statement of financial position.

B9. Dividends

No dividend has been declared in respect of the current financial period ended 30 September 2023.

B10. Status of audit qualification

There was no audit qualification in the annual financial statements for the preceding financial year ended 31 December 2022.

BY ORDER OF THE BOARD

Cynthia Gloria Louis
Joint Secretary
24 November 2023

Chew Mei Ling
Joint Secretary