



**Asia Capital Reinsurance Group Pte. Ltd.
and its subsidiaries
Registration Number: 200617360M**

Annual Report
Year ended 31 December 2022

Directors' Statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2022.

There was a capital reduction approved by Monetary Authority of Singapore totalling 50,000,000 shares at US\$1.00 each during the year. A first and final one-tier tax-exempt dividend of US\$ 50,000,000 for the year ended 31 December 2021 was declared and paid by the Company in 2022. Subsequent to year end, the Company underwent a capital reduction in January 2023 totalling 50,000,000 shares at US\$1.00 each amounting to US\$50,000,000

In our opinion:

- (a) the financial statements set out on pages FS1 to FS102 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the requirements set out in section 207 of the Singapore Companies Act 1967 (the "Act") and section 94 of the Insurance Act 1966 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Sim Hwee Cher
 Ian David Parker (Appointed 16 May 2022)
 Loh Wei-Lyn (Appointed 16 May 2022)

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Act, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year, except as follows:

Name of director in which interests are held	Holdings in the name of the director, spouse, or children under 18 years	
	At beginning of the year/date of appointment	At end of the year
Catalina Holdings (Bermuda) Ltd		
(B Shares)		
Ian David Parker	89,546	89,546
(C Shares)		
Ian David Parker	200,000	200,000

Except as disclosed in this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share Options

During the financial year, there were:

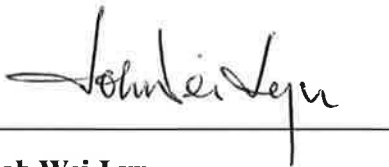
- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



Loh Wei-Lyn
Director



Sim Hwee Cher
Director

29 March 2023

Statement on Corporate Governance

The Board's Conduct of Affairs

The Board of Directors (Board) as at the date of this statement comprises the following 3 directors:

- (i) Sim Hwee Cher, (Independent Non-Executive Director)
- (ii) Ian David Parker (Non-Independent Non-Executive Director)
- (iii) Loh Wei-Lyn (Executive Director)

The key information regarding the directors is set out below:

Name of Director	Nature of Appointment	Date When First Appointed	Academic and Professional Qualifications
Sim Hwee Cher	Chairman and Independent Non-Executive Director	9 September 2019	Bachelor of Accountancy (Honours) from National University of Singapore
Ian David Parker	Non-Independent Non-Executive Director	16 May 2022	Executive MBA with Distinction from Ashridge Management College, City University; Bachelor of Science from Open University; Electrical Engineering Scholar from Imperial College of Science and Technology, University of London
Loh Wei-Lyn	Executive Director	16 May 2022	Bachelor of Social Sciences (Honours) from National University of Singapore.

Board Responsibility

The Board directs and oversees the management of the Company in the conduct of its affairs, ensure the corporate responsibility, corporate governance, conduct and ethical standards are met.

The following are the key responsibilities of the Board:

- (i) setting the long-term strategic direction and long-term goals of the Company and its branches, and ensuring that adequate capital and resources are available to meet its strategic objectives;
- (ii) approving and monitoring capital and financial plans to ensure that they are in line with the Catalina Group's strategic directions, the annual budget, the annual and interim financial statements;
- (iii) establishing a risk strategy and framework for risks to be assessed and managed;
- (iv) monitoring and reviewing Management's performance;

- (v) supervising the Company's financial, operational, compliance and information technology controls, as well as accounting policies and systems, which are collectively known internal controls, and interacts with external auditor to ensure compliance with regulations governing accounting standards and financial report;
- (vi) using its wide-ranging expertise and experience to review corporate plans and policies as well as major decisions;
- (vii) setting values and standards for the Company and ensuring that obligations to its stakeholders are understood and met;
- (viii) considering sustainability issues (including environment and social factors) as part of the Company's strategy; and
- (ix) observing and being guided by the regulations contained in the Singapore Companies Act (the "Act"); the Insurance (Corporate Governance) Regulations 2013 (the "Insurance (CG) Regulations"); the Constitution of the Company (the "Constitution") and applicable rules and regulations of the Monetary Authority of Singapore (the "MAS"), including the Guidelines on Individual Accountability and Conduct issued by the MAS.

Following the reclassification of the Company as a Tier 2 Insurer by the MAS on 24 March 2022, the Board has assumed the duties and responsibilities of the Audit Committee, Risk Management Committee, Nominating Committee and Remunerating Committee (collectively, the "Board Committees").

The terms of reference ("TOR") of the Board has been amended accordingly to include the duties and responsibilities of the Board Committees.

The Board has put in place the financial authorisation and approval limits for the operating and capital expenditure as well as acquisition and disposal of investments. Within these guidelines, the Board approves transactions above certain thresholds. The Board is also guided by the provisions of the Company's Constitution.

Material Transactions Requiring Board's Approval

The following are material transactions requiring Board's approval:

- (i) the Company's strategic and business plans;
- (ii) the Company's annual budget;
- (iii) capital expenditure and expenditure exceeding annual budget and/or approval limits;
- (iv) strategic investments and divestments;
- (v) capital related matters including capital adequacy objectives and proposals for capital issuance, reduction and redemption;
- (vi) dividend policy; and
- (vii) risk strategy and risk appetite.

Board Meetings and Attendance

Board meetings are held regularly and ad hoc meetings are held whenever required. When exigencies prevent a director from attending the Board meeting in person, the director can participate by teleconferencing and videoconferencing. Board approvals are also obtained through circular written resolutions as permitted under the Company's Constitution. During the financial year, there were 3 (2021: 3) scheduled and 4 meetings held.

The table below sets out the number of Board meetings held and attended by the Board members during the financial year:

Name of Director	Board
	Meetings Attended/ Held
Sim Hwee Cher *	4/4
Ian David Parker **	2/3
Loh Wei-Lyn ***	3/3

* Appointed as Board Chairman on 1 April 2022

** Appointed as Non-Executive Director on 16 May 2022

*** Appointed as Executive Director and Chief Executive Officer on 16 May 2022

Board Induction and Training

Each Board member may undergo training as may be relevant or required by the Board so as to meet the fitness and propriety requirements.

New Board members will undergo a series of induction briefings by the Management to understand the Company's operations, Catalina Group businesses and governance practices.

Board Composition and Guidance

Board Balance

One-third of the Board comprises of an Independent Director and such Independent Director is also the Chairman. The composition of the Board is in line with the Directives issued by the MAS.

The Board members collectively bring range and depth of experience and industry expertise to the table, representing diversity of nationality, skills, and knowledge without interfering with efficient decision-making. The Board is of the view that the current size of the Board remains appropriate and will continue to review the size and composition of the Board by considering the requirements of the business and the Directives of the MAS as well as such relevant laws.

Independence of Judgement

The Board continues to exercise independent objective judgement in the Company's corporate affairs. The Company determines the independence of its directors in accordance with the requirements set out in the Insurance (CG) Regulations and MAS' Guidelines on Corporate Governance for Designated Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (the "Guidelines").

Annual Review of Directors' Independence

The Board reviews and determines the independence of the Independent Director on an annual basis. In making the determination, the Board will take into consideration whether a director is: (i) independent of Management and business relationships; (ii) independent from substantial shareholder(s); and (iii) independent based on length of service. The sole Independent Director is Sim Hwee Cher. The Independent Director provides the Board with objectivity and balance of perspectives. He will ensure that the performance of Management is objectively measured against the key performance indicators established annually to measure and guide Management's performance.

Chairman and Chief Executive Officer

A clear division of responsibilities between the Chairman and the Chief Executive Officer allows the Chairman to formally assume the role of an independent leader who chairs Board meetings and leads the oversight of Management. The Chairman manages the Board's business and ensures the meeting agendas are aligned with the strategic priorities of the Company. He also provides guidance to and encourages constructive relations among the Board, the Chief Executive Officer and Management.

On the basis that the present Chairman is independent, the Board does not see it necessary to appoint a lead Independent Director at this point in time. The Chairman provides a clear and distinct leadership to the Board on the Company's strategic growth. The Chief Executive Officer oversees the execution of the Company's strategy and is responsible for managing its day-to-day operations.

Board Membership

New Director

As part of the process of the appointment of new director(s), the Board will carry out the following procedures to assess the potential candidate :

- (i) review a candidate's qualifications, attributes, capabilities, skills, age, past experience and such other relevant factors as may be determined by the Board to determine whether the candidate is a fit and proper person for the office in accordance with the Company's Fit and Proper Policy;
- (ii) ascertain whether the candidate is independent from any substantial shareholder of the Company and/or from Management and business relationship with the Company; and
- (iii) ascertain whether the current commitments of the candidate would give rise to any conflict of interest or hamper the candidate from discharging his statutory duties in respect of the Company.

Upon appointment, a letter of appointment detailing the terms of appointment will be issued to the new director.

Rotation and Re-election of Directors

Pursuant to Guideline 4.8 of the Guidelines issued by the MAS, all the directors nominated of the Company should submit themselves for re-nomination and re-appointment to the Board at least once every three (3) years at the Annual General Meeting of the Company. The Directors are subject to the term of office stipulated in the MAS Directives, and the continuation of their office will require the approval from the MAS.

Directors' Time Commitment

The Board has not made a determination of the maximum number of listed company board representations a director may hold. However, the Board reviews each Board member's additional directorships in other corporations from time to time to ensure sufficient time commitment by each director.

Board Guidance

The Board is kept well-informed of the Company's businesses and affairs and updated on the industry trends and developments in which the businesses operate. This is to enable the Board to remain effective and robust and for members of the Board to engage in open and constructive debate and to challenge Management on its assumptions and proposals as part of good corporate governance. To ensure that Non-Executive Directors are well supported by accurate, complete and timely information, Non-Executive Directors have unrestricted access to Management to provide them with such additional information, sufficient resources (including the discretion to engage external advisers at the expense of the Company) to discharge their oversight function effectively and receive periodic information papers and board briefings on latest market developments and trends and key business initiatives.

Board Performance

An annual performance evaluation will be carried out to assess whether any of the Board members lack of any skills to carry out their duties and responsibilities effectively and identify steps to further enhance the effectiveness of the Board.

The Board will evaluate the tabulated assessment results and will review and assess whether the current assessment method is useful and effective in evaluating the Board's overall effectiveness.

Board Responsibilities on Audit Functions

The Board is responsible for overseeing financial reporting and the adequacy of the external and internal audit functions of the Company, including reviewing the scope and results of audits carried out in respect of the operations of the Company and the independence and objectivity of the Company's external auditors.

The Board's responsibilities include, *inter alia*:

- (i) reviewing the annual financial statements of the Company to ensure integrity of reports and announcements on financial performance;
- (ii) reviewing the adequacy and effectiveness of the Company's internal control and risk management systems annually;
- (iii) reinforcing the effectiveness of internal and external audit processes;
- (iv) reviewing and approving internal and external audit plans, the effectiveness of their audits, and the independence and objectivity of the external auditors;
- (v) recommending the appointment, re-appointment and dismissal of the external auditors for approval by the shareholder of the Company, and approving the remuneration and terms of engagement of the external auditors; and
- (vi) approving the appointment, redeployment or termination of the Head of Internal Audit of the internal audit function.

The Board will meet the external auditors and the Head of Internal Audit ("IA") without the presence of Management at least once during each financial year. Both internal and external auditors, have unrestricted access to the Board, and to information and such persons within the Company as may be necessary to conduct the audit.

Based on the annual assessment results on the effectiveness of the internal audit function, the Board is satisfied that during the financial year, the internal audit function is in good standing within the Company and is adequately resourced to fulfil its mandate. The Board also reviewed and evaluated the effectiveness, independence and objectivity of the external auditors, taking into consideration the nature and extent of the non-audit services that the external auditors provide to the Company.

Board Responsibilities on Risk Management Practices and Policies

The Board is responsible for the governance of risk and ensures Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholder(s). This includes reviewing issues such as the effectiveness of the Company's risk management practices and policies.

The key responsibilities include, *inter alia*:

- (i) maintaining a sound system of risk management and internal controls to safeguard the shareholder's interest and the Company's assets;
- (ii) overseeing the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risks on an enterprise-wide basis;
- (iii) reviewing and approving the risk appetite framework to ensure it is comprehensive, actionable, and aligned with the Company's business strategy and strategic decision making as well as integrated with internal processes;
- (iv) reviewing the current risk profile, risk tolerance level and risk strategy of the Company to ensure the adequacy and effectiveness of the risk management and internal controls systems of ACRG group of companies; and
- (v) monitoring risk exposures and risk strategy in accordance with approved guidelines.

Besides reviewing the above topics with the Management, the Board also reviews the risk appetite statement, retrocession analysis, arrangements and strategy, and large claims and commutations development.

Board Responsibilities on Compensation/Remuneration Policies and Management Development

The Board is also responsible for overseeing compensation policies and Management developments to ensure that the remuneration policies are in line with the Company's strategic objectives.

The key responsibilities include, *inter alia*:

- (i) recommending and approving a framework for determining the remuneration, director's fees, salaries, allowances, bonuses, options, and benefits in kind that is in line with the Insurance (CG) Regulations;
- (ii) ensuring that the remuneration policy is consistent with employment laws and regulations and remains relevant;
- (iii) reviewing and approving the design of all share incentive plans/schemes for approval by the shareholders and reviewing their effectiveness in employee retention and the creation of long-term value for the Company;
- (iv) overseeing management development and succession planning to ensure that the Company strengthens its core competencies, bench strength and leadership pipeline; and
- (v) ensuring all provisions regarding the disclosure of remuneration are fulfilled and in line with the Insurance (CG) Regulations.

Remuneration Matters

The Board reviews matters concerning remuneration of the directors, the Chief Executive Officer and Management. The Board approves the framework of remuneration and also, the annual salary increment pool and total incentive pool for distribution to staff of all grades.

Breakdown of Directors' Remuneration for the financial year ended 31 December 2022

Name of Director	Salary %	Directors' Fees %	Bonus %	Other Fees, Allowances and Benefits*	Total %
Sim Hwee Cher	-	100	-	-	100
Ian David Parker	-	-	-	-	-
Loh Wei-Lyn	72	-	28	-	100

* Other fees, allowances, meeting allowances and benefits including adviser fees, share based payment and out-of-pocket allowances.

None of the Directors has immediate family members who were employees of the Company and whose remuneration exceeded S\$100,000 during the year.

Risk Management and Internal Controls

Risk Management

Risk management has been included under the topic on Board's Responsibilities on Risk Management Practices and Policies.

Internal Controls

The disclosure of Internal Controls of the Company has been included under the topic on Board's Responsibilities on Audit Functions. In discharging its obligations, the Board relies on the findings of the internal and external auditors.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer on the effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management and the Board, the Board is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2022, to address the risks which the Company considers relevant and material to its operations.

The system of internal controls and risk management provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Code of Conduct

The Company's Code of Conduct sets out the principles and standards of behaviour that are expected of all employees when dealing with customers, competitors, authorities and colleagues. The principles covered in the Code of Conduct include professional integrity, confidentiality of the Company's information and personal data, and conflict of interest.

Whistleblowing Policy

The Company has revised its whistleblowing policy to adapt the Catalina Group's whistleblowing policy. The supporting whistleblowing procedure describes the process that would be followed when designated persons ("Whistleblowing Champion") evaluate and investigate such concerns. The whistleblowing policy is applicable to ACRG group of companies ("ACR Group"), including individuals working for ACR Group at all levels and employees whether permanent, fixed-term, at-will, or temporary (together, "Staff"). It provides guidelines for Staff to raise genuine concerns, or report in good faith of any misconduct as stated in the policy. Catalina operates a whistleblowing telephone and website hotline ("Whistleblowing Hotline") <http://catalina.ethicspoint.com/> of which, the hotline is run by an independent third party external service provider and is available to all Staff to make disclosures. All reports made to the Whistleblowing Hotline will be sent (on either an anonymous or attributed basis) to the AC Chair of Catalina Holdings (Bermuda) Ltd. ("CHBL") to determine the appropriate action, or Staff may contact their local Whistleblowing Champion directly. Both links to the Whistleblowing Hotline and Whistleblowing Champion are available on the ACR intranet. External/third parties should also be able to raise concerns by filing a report via ethics@catalinare.com. The e-mail link is also available on the webpage from the main Catalina website. All emails will be forwarded to the AC Chair of CHBL.

Material Related Party Transactions

All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflicts of interest are to recuse themselves from the approval process of granting and managing related party transactions. Details of the Company's material related party transactions have been disclosed in the note 27 to the financial statements.

Communication with Shareholder

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company is made available to its sole shareholder.

Sole Shareholder's Participation and Right

Under the Company's Constitution, the sole shareholder is entitled to attend and vote at the annual general meetings in person, through an authorised corporate representative or by proxy. The shareholder may appoint a proxy, who need not be a shareholder of the Company.

Resolutions requiring shareholder's approval are tabled separately for adoption at the general meeting or through the passing of circular written resolution unless they are closely related and are more appropriate to be tabled together.

Independent auditors' report

Member of the Company
Asia Capital Reinsurance Group Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Asia Capital Reinsurance Group Pte. Ltd. ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS102.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance the requirements set out in section 207 of the Singapore Companies Act, Cap. 50 (the "Act") and section 36 of the Insurance Act (Cap. 142) and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity, consolidated cash flows of the Group and statement of changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement and Statement on corporate governance prior to the date of this auditors' report.

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP

*Public Accountants and
Chartered Accountants*

Singapore
29 March 2023

Statements of financial position
As at 31 December 2022

		----- Group -----		----- Company -----	
	Note	2022	2021	2022	2021
		US\$'000	US\$'000	US\$'000	US\$'000
Assets					
Property and equipment	6	6,048	7,435	4,197	5,477
Investment in subsidiaries	7	—	—	39,184	46,400
Investments	8	550,806	727,505	535,390	686,829
Investment properties	9	19,480	23,103	—	—
Deferred acquisition costs	10	1,465	6,946	1,463	6,934
Ceded share of insurance contract provisions	11	84,118	108,838	76,530	110,944
Deferred tax assets	21	2	364	2	364
Insurance receivables	12	70,850	162,957	61,878	140,632
Amount due from subsidiaries	14	—	—	500	472
Amount due from holding company	13	459	—	459	—
Other receivables	15	4,948	14,523	4,492	13,605
Current tax assets		927	265	—	—
Cash and cash equivalents	16	72,304	83,125	54,699	71,177
Total assets		811,407	1,135,061	778,794	1,082,834
Equity					
Share capital	17	508,198	558,198	508,198	558,198
Reserves	17	(20,242)	3,612	(17,892)	2,668
Accumulated losses		(90,017)	(62,330)	(98,834)	(86,937)
Total equity		397,939	499,480	391,472	473,929
Liabilities					
Insurance contract provisions	11	362,522	574,524	346,481	562,552
Ceded share of deferred acquisition costs	10	182	696	187	691
Financial liabilities	8	2,223	1,054	2,223	1,054
Lease liabilities	26	2,630	3,901	2,626	3,892
Deferred tax liabilities	21	378	631	—	139
Insurance payables	18	26,830	44,292	25,504	31,649
Other payables and accruals	19	7,351	10,217	5,746	8,764
Amount due to holding company	13	—	93	—	93
Loan payable	20	6,586	—	—	—
Current tax liabilities		4,766	173	4,555	71
Total liabilities		413,468	635,581	387,322	608,905
Total equity and liabilities		811,407	1,135,061	778,794	1,082,834

Consolidated statement of profit or loss
Year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Gross			
Written premiums		8,361	5,570
Change in provision for unexpired risks		12,730	54,950
Earned premiums	11	21,091	60,520
Claims incurred	11	19,878	(24,097)
Amortisation of deferred acquisition costs	10	(6,549)	(17,051)
Gross technical underwriting results		34,420	19,372
Ceded			
Written premiums		(5,395)	3,351
Change in provision for unexpired risks		(4,619)	(4,044)
Earned premiums	11	(10,014)	(693)
Claims incurred	11	(4,905)	(999)
Amortisation of deferred acquisition costs	10	(843)	(1,376)
		(15,762)	(3,068)
Net			
Written premiums		2,966	8,921
Change in provision for unexpired risks		8,111	50,906
Earned premiums	11	11,077	59,827
Claims incurred	11	14,973	(25,096)
Amortisation of deferred acquisition costs	10	(7,392)	(18,427)
Net technical underwriting results		18,658	16,304
Net operating expenses		(16,378)	(20,237)
Profit/(Loss) from reinsurance business		2,280	(3,933)
Net investment income	22	22,734	86,482
Other operating income	23	4,003	1,375
Profit before tax		29,017	83,924
Income tax expense	24	(6,704)	(15,855)
Profit for the year	25	22,313	68,069

Consolidated statement of comprehensive income
Year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Profit for the year		22,313	68,069
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Revaluation of property		(1,032)	28
Tax on other comprehensive income	24	(8)	(7)
		<u>(1,040)</u>	<u>21</u>
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences of foreign operations		(4,352)	(973)
Net gain/(loss) on hedge of net investment in foreign operation		2,238	(838)
Net change in fair value of available-for-sale financial assets		(18,071)	(11,992)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	22	(2,676)	(2,386)
Tax on other comprehensive income	24	47	184
		<u>(22,814)</u>	<u>(16,005)</u>
Other comprehensive loss for the year, net of tax		<u>(23,854)</u>	<u>(15,984)</u>
Total comprehensive (loss)/income for the year		<u><u>(1,541)</u></u>	<u><u>52,085</u></u>

Consolidated statement of changes in equity
Year ended 31 December 2022

Group	Share capital US\$'000	Foreign currency translation reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2021	858,198	1,880	17,869	(153)	(130,399)	747,395
Total comprehensive income for the year						
Profit for the year	—	—	—	—	68,069	68,069
Other comprehensive income						
Foreign currency translation differences of foreign operations	—	(973)	—	—	—	(973)
Net loss on hedge of net investment in foreign operation	—	(838)	—	—	—	(838)
Net change in fair value of available-for-sale financial assets	—	—	(11,992)	—	—	(11,992)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	—	—	(2,386)	—	—	(2,386)
Revaluation of property	—	—	—	28	—	28
Tax on other comprehensive income	—	—	184	(7)	—	177
Total other comprehensive income, net of tax		(1,811)	(14,194)	21	68,069	52,085
Total comprehensive income for the year	—	(1,811)	(14,194)	21	68,069	52,085
Transactions with owner, recognised directly in equity						
Capital reduction	(300,000)	—	—	—	—	(300,000)
Total transactions with owner	(300,000)	—	—	—	—	(300,000)
At 31 December 2021	558,198	69	3,675	(132)	(62,330)	499,480

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2022

Group	Share capital US\$'000	Foreign currency translation reserve US\$'000	Fair value reserve US\$'000	Revaluation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2022	558,198	69	3,675	(132)	(62,330)	499,480
Total comprehensive income for the year						
Profit for the year	—	—	—	—	22,313	22,313
Other comprehensive income						
Foreign currency translation differences of foreign operations	—	(4,352)	—	—	—	(4,352)
Net gain on hedge of net investment in foreign operation	—	2,238	—	—	—	2,238
Net change in fair value of available-for-sale financial assets	—	—	(18,071)	—	—	(18,071)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	—	—	(2,676)	—	—	(2,676)
Revaluation of property	—	—	—	(1,032)	—	(1,032)
Tax on other comprehensive income	—	—	47	(8)	—	39
Total other comprehensive income, net of tax	—	(2,114)	(20,700)	(1,040)	22,313	(1,541)
Total comprehensive income for the year	—	(2,114)	(20,700)	(1,040)	22,313	(1,541)
Transactions with owner, recognised directly in equity						
Capital reduction	(50,000)	—	—	—	—	(50,000)
Dividend distribution	—	—	—	—	(50,000)	(50,000)
Total transactions with owner	(50,000)	—	—	—	(50,000)	(100,000)
At 31 December 2022	508,198	(2,045)	(17,025)	(1,172)	(90,017)	397,939

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2022

Company	Share capital US\$'000	Fair value reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2021	858,198	15,513	(140,043)	724,668
Total comprehensive income for the year				
Profit for the year	–	–	62,106	62,106
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	–	(10,944)	–	(10,944)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	(1,901)	–	(1,901)
Total other comprehensive income, net of tax		(12,845)	62,106	49,621
Total comprehensive income for the year	–	(12,845)	62,106	49,621
Transactions with owner, recognised directly in equity				
Capital reduction	(300,000)	–	–	(300,000)
Total transactions with owner	(300,000)	–	–	(300,000)
At 31 December 2021	558,198	2,668	(86,937)	473,929

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2022

Company	Share capital US\$'000	Fair value reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
At 1 January 2022	558,198	2,668	(86,937)	473,929
Total comprehensive income for the year				
Profit for the year	–	–	38,103	38,103
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	–	(17,463)	–	(17,463)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	(3,097)	–	(3,097)
Total other comprehensive income, net of tax	–	(20,560)	38,103	17,543
Total comprehensive income for the year	–	(20,560)	38,103	17,543
Transactions with owner, recognised directly in equity				
Capital reduction	(50,000)	–	–	(50,000)
Dividend distribution	–	–	(50,000)	(50,000)
Total transactions with owner	(50,000)	–	(50,000)	(100,000)
At 31 December 2022	508,198	(17,892)	(98,834)	391,472

Consolidated statement of cash flows
Year ended 31 December 2022

	Note	2022 US\$'000	2021 US\$'000
Cash flows from operating activities			
Profit for the year		22,313	68,069
Adjustments for:			
Depreciation of property and equipment	6	1,980	2,199
Loss/(Gain) on disposal of property and equipment		13	(192)
Gain on disposal of intangible assets		–	(213)
Gain on disposals of investment properties		–	(147)
Loss on revaluation of investment properties		1,040	70
Net fair value loss/(gain) on investments		2,448	(38,205)
Investment income		(23,548)	(28,000)
Gain on disposals of investments, net		(2,427)	(21,340)
Allowance for impairment of insurance receivables		198	45
Bad debts written off		–	23
Rental income		(1,811)	(1,954)
Unrealised foreign exchange gains on investments		–	37
Investment expenses		1,628	2,489
Tax expense		6,704	15,855
Operating profit/(loss) before changes in working capital		8,538	(1,264)
Increase in reinsurance assets		24,720	42,452
Decrease in deferred acquisition costs		4,967	20,278
Decrease in trade and other receivables		101,484	41,510
Increase in reinsurance contract liabilities		(212,002)	(242,706)
Increase in trade and other payables		(20,421)	(17,159)
Cash used in operating activities		(92,715)	(156,889)
Tax paid		(2,664)	(2,821)
Net cash used in operating activities		(95,379)	(159,710)
Cash flows from investing activities			
Interest received		11,315	14,606
Rental received		1,811	1,954
Dividends received		12,233	13,394
Proceeds from sale of investments		255,274	578,634
Proceeds from sale of property and equipment		1	607
Proceeds from sale of intangible assets		–	281
Settlement of derivatives		1,906	(13,135)
Acquisition of investments		(102,227)	(283,763)
Payment of investment expenses		(1,554)	(2,461)
Acquisition of property and equipment		(623)	(1,263)
Proceeds from sale of investment property		–	1,409
Net cash from investing activities		178,136	351,402
Cash flows from financing activities			
Amount due from related company		(459)	–
Loan repayment from holding company	13	–	20,000
Loan from bank		6,586	–
Payment of lease liabilities		(1,360)	(1,618)
Capital reduction		(50,000)	(300,000)
Dividend distribution		(50,000)	–
Movement from restricted cash		6,709	33,130
Net cash used in financing activities		(88,524)	(248,488)
Net decrease in cash and cash equivalents			
		(5,767)	(52,935)
Cash and cash equivalents at beginning of the year		72,902	125,500
Effect of exchange rate fluctuations on cash held		1,655	337
Cash and cash equivalents at end of the year	16	68,790	72,902

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2023.

1 Domicile and activities

Asia Capital Reinsurance Group Pte. Ltd. (the “Company”) is incorporated in the Republic of Singapore and has its registered office at 6 Temasek Boulevard, #08-01 Suntec Tower 4, Singapore 038986.

The Company is a wholly-owned subsidiary of Catalina General Insurance Ltd., a company incorporated in Bermuda, with effect from 11 November 2022. The Company’s ultimate parent is Catalina Holdings (Bermuda) Ltd (“CHBL”), a company incorporated in Bermuda. The financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”).

The principal activities of the Group are those relating to the acquisition and management of non-life insurance and reinsurance companies and portfolio of insurance and reinsurance business in run-off. The Company is licensed as a general and life reinsurer under the Singapore Insurance Act, Chapter 142 (the “Insurance Act”). The principal activities of the Company are those of a non-life run-off consolidator. The financial statements continue to be prepared on a going concern basis.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRSs”).

The assets and liabilities of the Group, which relate to the reinsurance business carried on in Singapore, are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 of the Insurance Act and the Company continues to be able to meet the solvency requirements of Section 18 of the Insurance Act and Insurance (Valuation and Capital) (Amendment) Regulations 2020. All other assets and liabilities are accounted for in the books of the non-insurance funds.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair value.

The financial statements of the Group and the Company represent the combined assets and liabilities and income and expenses of the insurance and non-insurance funds.

2.3 Functional and presentation currency

These financial statements are presented in United States dollar (US\$), which is the Company's functional currency. All financial information presented in United States dollar have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4 – Critical accounting estimates and judgements in applying accounting policies.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The investment team works closely with Catalina investment team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Executive Officer.

The investment team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 5 – Risk management.

2.5 Changes in accounting policies

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2022, except as set out on note 29:

- *Covid-19 Related Rent Concessions (Amendments to FRS116)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS109, FRS1-39 and FRS107, FRS104, FSR 116)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as stated otherwise.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measured goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (“NCI”) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Loss of control

Where the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries in the separate financial statement

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any accumulated impairment losses.

Accounting policies of the subsidiaries

All significant accounting policies of the subsidiaries are consistent with the policies adopted by the Group.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for differences which are recognised in other comprehensive income ("OCI") arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

Foreign operations

The assets and liabilities of foreign operations, are translated to United States dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States dollar at exchange rates at the dates of the transactions. Fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in OCI, and are presented within equity in the foreign currency translation reserve. When a foreign operation is disposed of such that the control or significant influence is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI.

3.3 Property and equipment

Items of property and equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Buildings held for own use are revalued every 5 years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

Surplus arising from revaluation are credited to the property revaluation reserve account. Any deficit arising from the revaluation is charged against the property revaluation account to the extent of a previous surplus held in that account for the same assets. In all other cases, a decrease in the carrying amount is charged to profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Computer equipment	3-5 years
Motor vehicle	3-5 years
Office equipment	3 years
Furniture and fittings	3 years
Right-of-use assets	over the relevant lease terms, typically 2 – 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Investment properties

Investment properties are properties which are owned or held under leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

When an item of property and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise debt securities and investment funds that otherwise would have been classified as available-for-sale.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using effective interest rate method or cost if the effect of amortisation is not material, less any impairment losses.

Loans and receivables comprise due from holding company, loan to related company, other receivables (excluding prepayments) and cash and cash equivalents.

Cash and cash equivalents comprise cash and bank balances, deposits with financial institutions and liquidity funds.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. The Group's investments in certain debt securities are classified as available-for-sale financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise debt securities and funds.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category which comprise amounts due to holding company and other payables and accruals.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency, credit and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 - 125%.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

3.6 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay future amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property *in* 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment properties is recognised as 'net investment income' on a straight-line basis over the term of the lease.

3.9 Provisions

A provision, other than insurance contract provisions, is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10 Affiliated corporations

An affiliated corporation is a corporation in which a substantial shareholder of the holding company has a substantial interest.

3.11 Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party by agreeing to compensate the beneficiary if a specified uncertain future event (the insured event) adversely affects the cedants are classified as insurance contracts.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

3.12 Insurance contracts

Written premiums and earned premium revenue

Written premiums include premiums on contracts entered into during the year, irrespective of whether they relate in part to later financial years. Written premiums are disclosed gross of commission payable to cedants and intermediaries.

Premiums are first recognised as written on the date that the contract is inception. Written premium is recognised based on estimates of ultimate premiums provided by the ceding companies. Initial estimates of written premium are recognised in the year in which the underlying risks inception. Subsequent adjustments, based on reports of actual premium by the ceding companies or revisions in estimates, are recorded in the year in which they are determined.

Earned premium comprises premium written during the financial year and changes in provision for unexpired risks. Premiums are earned from the date of attachment of risk, over the indemnity period, in accordance with the pattern of the exposure of risk expected under the contracts. The pattern of the risk exposure is generally matched by the passage of time.

Provision for unexpired risks

The provision for unexpired risks includes a provision for unearned premium and any additional provision for premium deficiency. The provision for unearned premium is calculated using written premiums for all classes of business in accordance with the pattern of risk underwritten. An additional provision for premium deficiency is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the provision for unearned premium in relation to such policies.

Provision for unexpired risks denominated in foreign currencies at the reporting date is translated to the functional currency at the exchange rate at that date. The resulting exchange differences are recognised in profit or loss.

Claims incurred and provision for insurance claims

Claims incurred consist of claims paid during the financial year, net of subrogation recoveries, and changes in provision for insurance claims.

Provision for insurance claims comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not and related internal and external claims handling expenses. Provision for insurance claims are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

Provision for insurance claims denominated in foreign currencies at the reporting date is translated to the functional currency at the exchange rate at that date. The resulting exchange differences are recognised in profit or loss.

Reinsurance

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential. Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its cedants. Premiums relating to reinsurance ceded are recognised as an expense in accordance with the pattern of reinsurance service received.

Ceded share of earned premiums and claims incurred are presented in profit or loss and statement of financial position separately.

The amounts recognised as ceded share of insurance contract provisions are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within insurance receivables in the statement of financial position.

Ceded share of insurance contract provisions and insurance receivables are assessed for impairment at each reporting date. Such assets are deemed to be impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Deferred acquisition costs

Acquisition costs comprise commissions and brokerages which vary with and are directly related to the acquisition and renewal of insurance contracts. These acquisition costs are deferred, to the extent that they are recoverable and amortised consistent with the expiration of the risks associated with the underlying insurance contracts.

Deferred acquisition costs denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The resulting exchange differences are recognised in profit or loss.

Liability adequacy test

The liability of the Group under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims. Where an expected shortfall is identified, additional provisions are made for unearned premiums or insurance claims and the deficiency is recognised in profit or loss.

3.13 Receivables and payables related to insurance contracts

Insurance receivables and insurance payables are recognised on the date that the Group becomes a party to the insurance contracts. These include amounts due to and from reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivables is impaired, the Group reduces the carrying amount of the insurance receivables and recognises that impairment loss in the profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. Insurance receivables and insurance payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in note 3.6.

3.14 Investment income and expenses

Investment income

Investment income comprises interest income, dividend income, net realised gains/losses resulting from disposal of investments and net fair value gains/losses on financial assets at fair value through profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Investment expenses

Investment expenses comprise fees paid to external investment managers and fund administration costs.

3.15 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income tax, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and certain executive officers are considered as key management personnel of the Group.

4 **Critical accounting estimates and judgements in applying accounting policies**

Management has assessed the development, selection and disclosure of the critical accounting policies and estimates, and the application of these policies and estimates. The critical accounting estimates made by the management in applying accounting policies relate to the provisions for unexpired risks, insurance claims and fair values of the Group's investments.

The insurance contract provisions for general reinsurance business consist of claims liabilities and premium liabilities. The process undertaken by the Group to derive the insurance contract provisions of the general reinsurance business is as follows:

Process involved in determining claims liabilities

The Group determines the claims liabilities in accordance with internationally recognised practices. The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

However, given the uncertainty in establishing a provision for insurance claims, it is likely that the final outcome could prove to be significantly different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The data used for determining the expected ultimate claims liabilities is collated internally based on information received from cedants relating to business underwritten by the Group. This is further supplemented by externally available information on industry statistics and trends.

The Group's reserving methodology estimates the expected ultimate claim amounts for the portfolio of risks by analysing the historical data, pricing and underwriting information, current market, legal and socio-economic environment and likely future trends.

The Group sets aside case reserves after taking into consideration the claim circumstances, current available information and historical evidence of similar claims. Case reserves are reviewed regularly and updated as and when new information becomes available. However, the ultimate claims liabilities may vary significantly as a result of subsequent developments.

The Group systematically and periodically reviews the provisions established and adjusts the loss estimation process in an effort to minimise variations between the actual final outcome and the original projection. The provisions for outstanding claim liabilities are discounted for the time value of money.

Provisions for insurance liabilities as at 31 December 2022 have been assessed by the Company's actuarial reserving team, with the in-house reserve results reviewed by an external consulting actuarial firm.

In estimating the claims liabilities, risks were categorised into various reserving cohorts, with a view to balance the need for statistical stability and homogeneity in respect of factors including risk characteristics and loss reporting patterns. Broadly, the segregation of risks was guided by class of business and type of reinsurance.

The Group uses a number of reserving methods to estimate the ultimate claims liabilities. These methods include Incurred Chain Development ("ICD") Method, Incurred Bornhuetter-Ferguson ("BF") method and Expected Loss Ratio method. In the reserve valuation, loss statistics are arranged by underwriting year.

To the extent that the statistical method uses historical claims development information, it is assumed that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the mathematical models. Such reasons include:

- Changes in processes that affect the development/recording of claims paid and incurred;
- Economic, legal, political, social and environmental trends, which could result in different expected levels of inflation, claim frequency and severity;
- Changes in business composition; and
- Random fluctuations, including the impact of a higher frequency of large losses.

The best estimate of claims liabilities is discounted based on a basket of Asian/US risk-free rates of varying durations with a 0.5% liquidity premium added on top of them, reflecting the expected currency composition of underlying liabilities.

Process involved in determining premium liabilities

The Group determines the premium liabilities based on the higher of unearned premium reserves ("UPR") less deferred acquisition costs and unexpired risk reserves ("URR") at the insurance fund level, with a minimum of URR by line of business.

The URR needs to be adequate to meet future claims plus the portion of the Group expenses associated with administering the run-off of these claims. The URR is discounted based on a basket of Asian/US risk-free rates of varying durations with a 0.5% liquidity premium added on top of them, similar to claims liabilities.

Rather than calculating the UPR on a uniform basis for all types of contracts, the Group has considered the actual underlying risk exposure and approximated the appropriate premium recognition patterns.

Sensitivity analysis

The sensitivity analysis is performed on the net premiums and net claims liabilities, based on changes in assumptions that may affect the level of liabilities. The assumptions considered in the sensitivity analysis are as follows:

- Discount rate
- Technical combined ratio

To test the sensitivity of premium and claims liabilities separately for gross and net of reinsurance recoveries, changes in the discount rates, simultaneous changes in the discount rate for all durations were considered. The level of change is from -1% to +1% (2021: -1% to +1%). The result at each change level is then compared to the premium and claims liabilities, net of reinsurance recoveries.

The assumption that has the greatest effect on the determination of insurance contract provisions is the expected loss ratio (in percentage terms). Expected loss ratios are derived with reference to expected technical combined ratio. The test was conducted based on a change level of -10% to 10% (2021: -10% to 10%) of the net earned premiums, net of reinsurance recoveries. The impact on profit or loss is shown below.

	Net of reinsurance			
	Discount rate		Technical combined ratio	
	+1%	-1%	+10%	-10%
Group	US\$'000	US\$'000	US\$'000	US\$'000
2022				
Profit/(Loss)	3,668	(3,797)	(1,108)	1,108
2021				
Profit/(Loss)	6,990	(7,262)	(5,982)	5,982

Process involved in determining the fair values of the investments

The fair values of investments are based on current bid prices or last traded prices obtained from independent price sources such as Bloomberg and Interactive Data Corporation ("IDC"). For securities that are not actively traded and valuations are not available on Bloomberg, the fair values are based on bid prices obtained from brokers.

5 Risk management

5.1 Risk management framework

The Group is exposed to a variety of reinsurance and financial risks in the normal course of its business activities. The Board of Directors (the “Board”) has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board is the approving authority for changes and exceptions to all key risk management strategy and policies which are established to identify, analyse, manage and monitor the risks faced by the Group. The Board is also responsible for approving the Group’s risk tolerance and risk limits.

The Group leverages on Enterprise Risk Management (“ERM”) framework to identify potential events that may affect the organisation and manage risk to be within its risk appetite to provide reasonable assurance regarding the achievement of organisation objectives.

The ERM framework provides a systematic and holistic risk management approach throughout the organisation and facilitates alignment of risk appetite, business strategy and capital management. Under this framework, the Group can effectively manage and assess its solvency condition by linking business strategy and capital management through a clearly defined risk appetite. The Group defines its risk appetite into various levels and limits. Key risk indicators are then developed in line with these various risk levels so that the risk-taking activities of the various business and functional units can be measured and controlled. The Group has put in place key policies and guidelines to ensure risks are identified and controlled and these are regularly reviewed.

The ERM framework enables management of downside risks, improves quality of risk-taking and facilitates sustainable business development by identifying and addressing potential obstacles to achieving the organisational objectives. The framework also provides a comparable and consistent measurement of the various risks from different business areas and functions.

The ERM framework is continuously being operationalised to consistently and systematically evaluate, manage and monitor risks and being refined to strengthen the effectiveness of the Group’s risk management practices.

The Group continues to build risk management culture by implementing a risk governance structure, defining roles of responsibilities and setting up clear channels of communication regarding risk management objectives and plans.

The ERM framework provides three lines of defence to mitigate the Group's risks:

- (i) Risk owners in business and functional units conduct day-to-day activities in accordance with the framework by properly identifying, assessing, controlling, managing and monitoring risks. The risk management practices are governed by risk management policies for various major risk categories and guidelines for specific business and functional units.
- (ii) The ERM and Compliance departments facilitate the risk management practices, develop risk management system and tools, monitor and communicate material risks. The ERM team also has direct access to the Board for independent reporting of significant risk issues.
- (iii) The internal audit unit provides independent assurance of integrity of the risk management process and effectiveness of internal controls. The unit works independently within the Company and reports directly to the Catalina Group internal audit head.

5.2 Insurance risk management

Reinsurance and insurance risk refers to the risk of financial loss and consequent inability to meet liabilities as a result of inadequate or inappropriate underwriting, claims management, product design, pricing and reserving.

The Group manages insurance risk by monitoring factors that affect the perils and coverage of the policies such as changes in the macroeconomic or industry landscapes and risk environment. The Group continuously strengthens its information technology system and data management framework to ensure quality data is available for comprehensive portfolio analysis and actuarial studies.

(a) Underwriting risks

The various underwriting risks and processes and protections put in place in relation to these risks by the Group are as follows:

Merger and acquisition (M&A) risk

The group is involved in the acquisition of property & casualty insurance and reinsurance portfolios that are in run off. This is effected by various means including reinsurance transactions such as loss portfolio transfers, business transfers or novations and corporate acquisitions.

Prior to acquiring any portfolios, the Group conducts a detailed assessment and due diligence on the subject portfolio, the process for which is managed by the Group's M&A team. As part of the due diligence process, the (re)insurance liabilities of these portfolios are valued using a variety of actuarial methodologies in order to determine the appropriate premium to charge for the risks being taken on. A recommendation is then made to the Group's Transaction Committee. The Transaction Committee involves senior members of the Group's management team, who have many years of experience in the insurance and reinsurance industry, and they ultimately approve or decline the proposed acquisition. The Catalina Group's M&A team comprises executives with relevant skills in sourcing, due diligence and pricing.

The Catalina Group accepts portfolios from around the world including the United Kingdom, Continental Europe, North America and Asia. This ensures diversification and reduces the risk of systemic mispricing error.

Stochastic claims risk

The occurrence, size and payment timing of reinsurance claims is an inherently stochastic process and random adverse fluctuations pose a risk to the Group.

The Group's risk and capital management are designed and executed in order to maintain MAS CAR of at least 100% post stress event. Stress scenarios are determined in consultation with the ERM department and comprise a mix of both investment and liability-related stresses.

The significant diversification of the Group's business across countries and lines of businesses also reduces the impact of any single claim.

Reserving risk

The estimation of liabilities is inherently uncertain. The uncertainties can arise from the following factors:

- Range and quality of data available
- Model error
- Parameter error
- Random volatility in future experience

Once a claim has occurred, the Group must set aside adequate claims reserve to meet the ultimate cost of those claims. There are typically a number of components of the reserves:

- Case estimate – an estimate for a particular known claim of the amount of the ultimate claim cost taking into the particular circumstances of the claim.
- IBNER – known as “incurred but not enough reported”. This is a portfolio adjustment to all case estimates reflecting any overall inadequacy (if any) in those amounts.
- IBNR – known as “incurred but not reported”. This is an estimate of claims costs that have been incurred but have not yet been reported to the Group.
- Claims expense costs – this is an amount that is set aside for the expected costs of administering claims settlement.

In addition to reserving for outstanding claims, a reserve may need to be established for any inadequacies (if any) in unearned premium. Unearned premiums should reflect the amount of future exposure remaining over other period of the underlying contract. Circumstances may have arisen since accepting a particular risk that leads the Group to re-evaluate the exposure and as a result, the unearned premium might be inadequate.

(b) Concentration/accumulation of insurance risks

Claims can accumulate from various contracts from a single systemic cause, such as a natural catastrophe or change in liability award levels. Further concentration can occur if parts of the same risks are accepted from different cedants. Such accumulations can put financial strain on the resources of the Group.

The Group closely monitors potential accumulation for natural catastrophes throughout Asia. Risks for each potential natural catastrophe are captured within the Group's systems and are frequently analysed.

The Group has natural catastrophe specialists who assess the impact of potential accumulations. Accumulation is assessed using a number of different methodologies to ensure reliability and to reduce the risk of systemic misvaluation. In addition to proportional retrocession arrangements, the Group has in place an excess of loss reinsurance protection for natural catastrophes amounting up to US\$30 million (2021: US\$30 million). The Group also carries out regular analysis to monitor potential concentration of the same risk reinsured from different cedants.

The following tables set out the Group's concentration of insurance risks by countries based on the location of the ceding insurer or reinsurer and lines of business by gross written premiums.

The written premiums represent overall net premium adjustments from prior recognised amounts due to the cessation of underwriting activities since December 2019.

	2022	2021
	US\$'000	US\$'000
Countries		
Mainland China	1,190	19,403
Taiwan	2	(1,251)
Hong Kong and Macau	65	616
Japan	1,586	(17,163)
India	1,572	7,047
South Korea	216	1,455
Vietnam	80	1,357
Thailand	(69)	(420)
Singapore	243	2,724
Turkey	27	(193)
UAE	222	854
Others	3,227	(8,859)
	8,361	5,570
Line of business		
Aviation	94	(1,025)
Casualty	613	(3,744)
Credit	806	20,557
Energy	74	(621)
Engineering	729	1,919
Marine	986	57
Motor	1,345	(20,524)
Property	3,714	8,951
	8,361	5,570

(c) *Claims development*

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The impact of exchange differences between transaction rate and period end rate is shown at the bottom of the table. The Group also presents tables showing the development of the gross earned premiums for each underwriting year at each reporting date.

Underwriting year is defined from 1 January to 31 December of the year.

(i) *Analysis of claims development – gross of reinsurance*

Group

Gross incurred claims

2022

	Underwriting years							
	2016	2017	2018	2019	2020	2021	2022	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	257,726	178,153	225,331	234,522	3,118	–	–	
One year later	436,175	370,889	450,488	452,549	4,823	–		
Two years later	418,522	424,431	479,332	447,910	5,112			
Three years later	419,088	433,424	496,442	441,160				
Four years later	415,704	439,572	488,009					
Five years later	410,202	437,415						
Six years later	408,614							
Current estimates of loss reserves	408,614	437,415	488,009	441,160	5,112	–	–	1,780,310
Cumulative payments	(383,335)	(400,512)	(412,467)	(314,263)	(2,205)	–	–	(1,512,782)
Best estimate of claims liabilities	25,279	36,903	75,542	126,897	2,907	–	–	267,528
Provision for prior years								146,079
Inter-group balance								(2,951)
Currency translation								(57,259)
Total current estimates of loss reserves								<u>353,397</u>

Group

Gross incurred claims

2021

	Underwriting years							
	2015	2016	2017	2018	2019	2020	2021	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	164,960	257,726	178,153	225,331	234,522	3,118	–	
One year later	287,784	436,175	370,889	450,488	452,549	4,823		
Two years later	298,392	418,522	424,431	479,332	447,910			
Three years later	283,336	419,088	433,424	496,442				
Four years later	302,183	415,704	439,572					
Five years later	252,819	410,202						
Six years later	243,636							
Current estimates of loss reserves	243,636	410,202	439,572	496,442	447,910	4,823	–	2,042,586
Cumulative payments	(217,866)	(373,972)	(336,514)	(394,733)	(252,964)	(1,662)	–	(1,577,710)
Best estimate of claims liabilities	25,771	36,230	103,058	101,710	194,946	3,161	–	464,876
Provision for prior years								152,053
Inter-group balance								(23,005)
Currency translation								(42,332)
Total current estimates of loss reserves								<u>551,592</u>

Company

Gross incurred claims

2022

	Underwriting years							
	2016	2017	2018	2019	2020	2021	2022	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	238,520	158,342	211,548	226,054	3,110	–	–	
One year later	403,313	347,614	415,355	436,621	4,816	–		
Two years later	392,185	402,303	441,704	433,330	5,111			
Three years later	392,872	412,152	458,590	428,704				
Four years later	392,932	421,235	453,420					
Five years later	390,250	421,921						
Six years later	389,825							
Current estimates of loss reserves	389,825	421,921	453,420	428,704	5,111	–	–	1,698,981
Cumulative payments	(365,673)	(387,190)	(383,944)	(306,371)	(2,411)	–	–	(1,445,589)
Best estimate of claims liabilities	24,152	34,731	69,476	122,333	2,700	–	–	253,392
Provision for prior years								124,130
Currency translation								(40,153)
Total current estimates of loss reserves								<u>337,369</u>

Company

Gross incurred claims

2021

	Underwriting years							
	2015	2016	2017	2018	2019	2020	2021	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	106,246	238,520	158,342	211,548	226,054	3,110	–	
One year later	196,998	403,313	347,614	415,355	436,621	4,816		
Two years later	204,253	392,185	402,303	441,704	433,330			
Three years later	194,825	392,872	412,152	458,590				
Four years later	202,113	392,932	421,235					
Five years later	203,745	390,250						
Six years later	195,706							
Current estimates of loss reserves	195,706	390,250	421,235	458,590	433,330	4,816	–	1,903,927
Cumulative payments	(175,286)	(356,090)	(322,951)	(366,123)	(246,015)	(1,665)	–	(1,468,130)
Best estimate of claims liabilities	20,420	34,160	98,284	92,467	187,315	3,151	–	435,797
Provision for prior years								128,149
Currency translation								(24,297)
Total current estimates of loss reserves								<u>539,649</u>

(ii) *Analysis of claims development – net of reinsurance*

Group

Net incurred claims

2022

	Underwriting years							
	2016	2017	2018	2019	2020	2021	2022	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	123,836	148,886	191,142	204,310	1,440	–	–	
One year later	217,440	317,574	359,197	403,360	3,101	–		
Two years later	208,922	370,575	380,219	399,328	3,386			
Three years later	209,465	383,420	397,061	389,904				
Four years later	210,035	390,920	392,555					
Five years later	208,288	389,136						
Six years later	206,460							
Current estimates of loss reserves	206,460	389,136	392,555	389,904	3,386	–	–	1,381,441
Cumulative payments	(190,858)	(355,129)	(335,074)	(275,954)	(2,168)	–	–	(1,159,183)
Best estimate of claims liabilities	15,602	34,007	57,481	113,950	1,218	–	–	222,258
Provision for prior years								85,833
Currency translation								(37,237)
Total current estimates of loss reserves								<u>270,854</u>

Group

Net incurred claims

2021

	Underwriting years							
	2015	2016	2017	2018	2019	2020	2021	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	70,254	123,836	148,886	191,142	204,310	1,440	–	
One year later	119,309	217,440	317,574	359,197	403,360	3,101		
Two years later	123,590	208,922	370,575	380,219	399,328			
Three years later	120,408	209,465	383,420	397,061				
Four years later	123,896	210,035	390,920					
Five years later	98,530	208,288						
Six years later	95,126							
Current estimates of loss reserves	95,126	208,288	390,920	397,061	399,328	3,101	–	1,493,824
Cumulative payments	(81,453)	(186,137)	(291,761)	(318,377)	(226,427)	(1,657)	–	(1,105,812)
Best estimate of claims liabilities	13,673	22,150	99,159	78,684	172,901	1,444	–	388,012
Provision for prior years								87,805
Currency translation								(26,962)
Total current estimates of loss reserves								<u>448,855</u>

Company

Net incurred claims

2022

	Underwriting years							
	2016	2017	2018	2019	2020	2021	2022	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	121,720	144,729	188,009	200,591	1,432	–	–	
One year later	211,187	313,524	354,236	396,101	3,082	–		
Two years later	204,298	366,581	374,746	392,553	3,374			
Three years later	204,970	379,016	392,053	385,059				
Four years later	205,567	386,957	389,124					
Five years later	204,133	387,530						
Six years later	202,939							
Current estimates of loss reserves	202,939	387,530	389,124	385,059	3,374	–	–	1,368,026
Cumulative payments	(186,985)	(356,003)	(332,065)	(272,664)	(2,371)	–	–	(1,150,088)
Best estimate of claims liabilities	15,954	31,527	57,059	112,395	1,003	–	–	217,938
Provision for prior years								78,639
Currency translation								(34,169)
Total current estimates of loss reserves								<u>262,408</u>

Company

Net incurred claims

2021

	Underwriting years							
	2015	2016	2017	2018	2019	2020	2021	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At end of first financial year	49,350	121,720	144,729	188,009	200,591	1,432	–	
One year later	91,930	211,187	313,524	354,236	396,101	3,082		
Two years later	92,916	204,298	366,581	374,746	392,553			
Three years later	91,019	204,970	379,016	392,053				
Four years later	94,600	205,567	386,957					
Five years later	96,264	204,133						
Six years later	92,762							
Current estimates of loss reserves	92,762	204,133	386,957	392,053	392,553	3,082	–	1,472,040
Cumulative payments	(75,382)	(182,317)	(292,849)	(315,591)	(223,656)	(1,657)	–	(1,091,452)
Best estimate of claims liabilities	17,380	21,816	94,108	76,462	168,897	1,425	–	380,088
Provision for prior years								73,632
Currency translation								(18,918)
Total current estimates of loss reserves								<u>434,802</u>

5.3 Financial risk management

(a) Introduction and overview

Transactions in financial instruments may result in the Group assuming financial risks. These include:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties to insurance and investment transactions failed to meet their contractual obligations.

An insurer's financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organisation with respect to its ability to pay under its insurance policies and contracts in accordance with their terms.

Transactions are mainly entered into with external retrocessionaires with financial strength rating of A- and above by either AM Best or Standard & Poor's ("S&P") and subsidiaries of the Group. The contingent credit exposure to any single retrocessionaire is limited and dependant on a number of factors, including rating and company size. The largest contingent credit risk for a single counterparty for a single default event is US\$4.3 million (2021: US\$5.1 million).

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the financial statements, although in the case of insurance receivables, it is a fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each retrocessionaire at any time is also dependent on the claims recoverable from such retrocessionaires at that point in time. As at 31 December 2022, the top five insurance counterparties collectively accounted for about 25% (2021: 8%) of total insurance receivables. All five insurance counterparties are regulated by their respective authority in the country they operate and are financially sound, and therefore the Group does not expect any default in payments as and when payments fall due.

The Group's investment portfolio is managed in accordance to the Group's conservative and prudent investment philosophy with the primary focus on maintaining minimal risk to capital. It focuses on investing in high quality investment grade fixed income securities. As at 31 December 2022, the average credit quality of the Group's and the Company's investment portfolio was A and A respectively (2021: A and A respectively).

The Group reviews its issuer concentration and credit quality as well as compliance with established credit limits on a regular basis. The Group is not exposed to any significant credit concentration risk on its investments. As at 31 December 2022, the Group's largest counterparty issuer exposure is 2% (2021: 2%) of the Group's total investments.

See note 9 for a summary of the type of investments, held by the Group and the respective credit ratings.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial and insurance liabilities that are settled by delivery of cash or another financial asset. The Group has to meet its liabilities as and when they fall due, notably from claims arising from its general reinsurance contracts. There is hence a risk that the cash and cash equivalents held will not be sufficient to meet its liabilities when they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities arising from insurance claims and maturing liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's approach to managing its liquidity risk is as follows:

- Cashflow position is being reviewed, on an ongoing basis, by monitoring its overall liquidity position and funding requirements over the short, medium and long term;
- The assets purchased for the Group's liability fund have to satisfy specified marketability requirements in terms of rating, duration and concentration limits as required by the Group's investment guideline and asset and liability management ("ALM") requirements;
- The Group maintains sufficient cash and liquid assets to meet daily calls on its insurance and investment needs; and
- The Group regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

Given the short duration investment portfolio, the Group is able to quickly liquidate its investments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In addition, the Group invests in AAA rated liquidity funds which provide liquidity for working capital requirements and payment of liabilities when the need arises.

The expected contractual undiscounted cash outflows of financial liabilities as at 31 December 2022 and 2021 are as follows:

Group	Contractual cash flows US\$'000	Cash flows	
		Within 1 year US\$'000	1 to 5 + years US\$'000
2022			
Insurance payables	26,830	26,830	–
Loans payables	6,586	291	6,295
Other payables	7,351	7,351	–
	<u>40,767</u>	<u>34,472</u>	<u>6,295</u>
2021			
Insurance payables	44,292	44,292	–
Other payables	10,217	10,217	–
	<u>54,509</u>	<u>54,509</u>	<u>–</u>
Company			
2022			
Insurance payables	25,504	25,504	–
Other payables	5,746	5,746	–
	<u>31,250</u>	<u>31,250</u>	<u>–</u>
2021			
Insurance payables	31,649	31,649	–
Other payables	8,764	8,764	–
	<u>40,413</u>	<u>40,413</u>	<u>–</u>

(d) Market risk

Market risk is the risk that changes in market prices that will affect the Group's income or the value of its holding of financial instruments. Market risk for the Group comprises three types of risks:

- Currency risk
- Interest rate risk
- Price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Group's exposures to market risks and its objectives, policies and processes for managing market risk have not changed significantly from the previous financial year.

For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Group at the reporting date to each major risk is addressed below.

(i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's currency risk is largely mitigated by its ALM framework. Under this framework, the Group established an internally managed investment portfolio as well as external managed funds, with the objective of investing into Asian local currency denominated fixed income securities to match its liabilities denominated in the various Asian currencies. The Group is required to maintain assets in the currency in which the cash flows from its liabilities are to be settled in order to economically hedge the currency risk inherent in these expected cash flows. Notwithstanding this, the ALM framework is subject to time lag, estimates and judgements which may affect the desired outcome.

The Group enters into currency forward contracts for the purpose of foreign exchange risk hedging and efficient portfolio management. A currency forward contract is an agreement between two parties to buy or sell a currency at a specified price, at a specified quantity and on a specified future date. At inception, there is no exchange of principal amounts and the net receivable or payable position is settled on maturity. Currency forwards are used for foreign exchange risk hedging and efficient portfolio management.

The Group's investment in its Malaysian subsidiaries is hedged by a series of short currency forward contracts on MYR. As at 31 December 2022, US\$31.4 million (2021: US\$40.9 million) of currency forward contracts are designated as hedges of the Group's net investment in its Malaysian subsidiaries. The hedged risk is the risk of changes in the MYR/USD spot rate that will result in changes in the value of Group's net investment in ACRM and ACRR when translated into USD.

The Group may overweight certain assets denominated in a currency other than the functional currency of the Group beyond current ALM requirements as part of strategic asset allocation approved by the Board to prepare for underwriting business expansion in certain countries and/or enhance investment return. These investments are monitored and may be reduced when the currency outlook/valuation of that investment becomes stretched.

The nature of the Group's exposures to currency risk and its objectives, policies and processes for managing currency risk have not changed significantly from the previous financial year.

The following table sets out the Group's and Company's main exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Group. The overall net exposure is before taking into consideration the Group's currency forward contracts position.

	Group				
	Chinese Yuan US\$'000	Malaysian Ringgit US\$'000	Singapore Dollar US\$'000	South Korean Won US\$'000	Japanese Yen US\$'000
2022					
Assets					
Investments	46,191	15,415	16,032	20,206	21,499
Insurance receivables	6,684	9,650	1,848	409	672
Other receivables	25	7,551	3,020	1,271	–
Cash and cash equivalents	799	11,727	6,021	172	51
	<u>53,699</u>	<u>44,343</u>	<u>26,921</u>	<u>22,058</u>	<u>22,222</u>
Liabilities					
Financial liabilities	–	(2,056)	–	–	–
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(32,544)	(25,737)	(6,617)	(12,504)	(12,398)
Insurance payables	(12,114)	(2,987)	–	(2,957)	(1,469)
Other payables and accruals	–	(951)	(5,261)	(1)	(28)
	<u>(44,658)</u>	<u>(31,731)</u>	<u>(11,878)</u>	<u>(15,462)</u>	<u>(13,895)</u>
Overall net exposure	<u>9,041</u>	<u>12,612</u>	<u>15,043</u>	<u>6,596</u>	<u>8,327</u>
2021					
Assets					
Investments	32,210	38,655	5,759	1,365	31,727
Insurance receivables	5,619	23,041	2,828	–	1,583
Other receivables	25	8,288	4,208	947	22
Cash and cash equivalents	73	8,370	11,335	9,791	111
	<u>37,727</u>	<u>78,354</u>	<u>24,130</u>	<u>12,103</u>	<u>33,443</u>
Liabilities					
Financial liabilities	–	(67)	–	(8)	(429)
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(43,079)	(20,807)	(8,494)	(11,586)	(40,302)
Insurance payables	(14,750)	(12,739)	(228)	(11,469)	(254)
Other payables and accruals	(10)	(969)	(5,836)	–	(28)
	<u>(57,839)</u>	<u>(34,582)</u>	<u>(14,558)</u>	<u>(23,063)</u>	<u>(41,013)</u>
Overall net exposure	<u>(20,112)</u>	<u>(43,772)</u>	<u>9,572</u>	<u>(10,960)</u>	<u>(7,570)</u>

	----- Company -----				
	Chinese Yuan US\$'000	Malaysian Ringgit US\$'000	Singapore Dollar US\$'000	South Korean Won US\$'000	Japanese Yen US\$'000
2022					
Assets					
Investments	46,191	–	16,032	20,206	21,499
Insurance receivables	6,684	198	1,848	409	672
Other receivables	25	–	3,020	1,271	–
Cash and cash equivalents	799	59	6,021	172	51
	<u>53,699</u>	<u>257</u>	<u>26,921</u>	<u>22,058</u>	<u>22,222</u>
Liabilities					
Financial liabilities	–	(2,056)	–	–	–
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(32,544)	(4,681)	(6,617)	(12,504)	(12,398)
Insurance payables	(12,114)	(1,660)	–	(2,957)	(1,469)
Other payables and accruals	–	(53)	(5,261)	(1)	(28)
	<u>(44,658)</u>	<u>(8,450)</u>	<u>(11,878)</u>	<u>(15,462)</u>	<u>(13,895)</u>
Overall net exposure	<u>9,041</u>	<u>(8,193)</u>	<u>15,043</u>	<u>6,596</u>	<u>8,327</u>
2021					
Assets					
Investments	32,010	–	5,759	1,365	31,727
Insurance receivables	5,619	833	2,809	–	1,583
Other receivables	25	–	4,208	947	22
Cash and cash equivalents	73	52	11,335	9,791	111
	<u>37,727</u>	<u>885</u>	<u>24,111</u>	<u>12,103</u>	<u>33,443</u>
Liabilities					
Financial liabilities	–	(67)	–	(8)	(429)
Insurance contract provisions (net of ceded share and deferred acquisition costs)	(43,079)	(8,099)	(8,494)	(11,586)	(40,302)
Insurance payables	(14,750)	(96)	(228)	(11,469)	(254)
Other payables and accruals	(10)	(44)	(5,805)	–	(28)
	<u>(57,839)</u>	<u>(8,306)</u>	<u>(14,527)</u>	<u>(23,063)</u>	<u>(41,013)</u>
Overall net exposure	<u>(20,112)</u>	<u>(7,421)</u>	<u>9,584</u>	<u>(10,960)</u>	<u>(7,570)</u>

Sensitivity analysis

A 10% (2021:10%) weakening of United States dollar against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit/(loss)	
	Group	Company
	US\$'000	US\$'000
2022		
Chinese Yuan	904	904
Malaysian Ringgit	1,261	(819)
Singapore Dollar	1,504	1,504
South Korean Won	660	660
Japanese Yen	833	833
2021		
Chinese Yuan	(2,011)	(2,011)
Malaysian Ringgit	4,377	(742)
Singapore Dollar	957	958
South Korean Won	(1,096)	(1,096)
Japanese Yen	(757)	(757)

A 10% (2021:10%) strengthening of United States dollar against the above currencies would have had the equal but opposite effect on the above currencies on the basis that all other variables remain constant.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates have on interest income from cash and cash equivalents and other fixed income investments.

The earnings of the Group are affected by changes in market interest rates due to the impact such changes have on interest income from cash and cash equivalents, including investments in fixed deposits.

The Group manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

The Group also enters into interest rate futures contracts and interest rate swaps for the purpose of interest rate risk hedging and efficient portfolio management. An interest rate futures contract is a contract between the buyer and seller agreeing to the future delivery of any interest-earning asset. An interest rate swap is a contract between two parties agreeing to exchange interest rate cash flows, based on a specified notional amount from a fixed rate to a floating rate (or vice versa) or from one floating rate to another. At inception, there is no exchange of principal amounts and the net receivable or payable position is settled on maturity.

The Group's and Company's investment portfolio has an average duration of 1.56 and 1.49 years respectively (2021: 1.73 and 1.42 years respectively), significantly reducing any long term interest rate volatility within the portfolio.

The nature of the Group's exposure to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the previous financial year.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Group	Within 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	Total US\$'000
2022				
Fixed rate				
Fixed deposits	25,711	–	–	25,711
Debt securities	31,027	112,217	1,864	145,108
Bond funds	48,492	48,617	34,330	131,439
Liquidity funds	–	–	–	–
	<u>105,230</u>	<u>160,834</u>	<u>36,194</u>	<u>302,258</u>
Floating rate				
Cash at bank	46,590	–	–	46,590
Debt securities	–	1,242	–	1,242
Bond funds	10,769	39,385	–	50,154
Liquidity funds	–	–	–	–
	<u>57,359</u>	<u>40,627</u>	<u>–</u>	<u>97,986</u>
	<u>162,589</u>	<u>201,461</u>	<u>36,194</u>	<u>400,244</u>
2021				
Fixed rate				
Fixed deposits	24,396	–	–	24,396
Debt securities	92,888	172,539	15,156	280,583
Bond funds	57,153	71,180	42,477	171,440
Liquidity funds	2,364	–	–	2,364
	<u>176,801</u>	<u>244,349</u>	<u>57,633</u>	<u>478,783</u>
Floating rate				
Cash at bank	58,729	–	–	58,729
Debt securities	–	4,980	–	4,980
Bond funds	–	5,341	25,476	30,817
Liquidity funds	–	–	–	–
	<u>58,729</u>	<u>10,321</u>	<u>25,476</u>	<u>94,526</u>
	<u>235,530</u>	<u>254,670</u>	<u>83,109</u>	<u>573,309</u>

Company	Within 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	Total US\$'000
2022				
Fixed rate				
Fixed deposits	15,512	—	—	15,512
Debt securities	25,895	103,798	—	129,693
Bond funds	48,492	48,617	34,330	131,439
Liquidity funds	—	—	—	—
	<u>89,899</u>	<u>152,415</u>	<u>34,330</u>	<u>276,644</u>
Floating rate				
Cash at bank	39,188	—	—	39,188
Debt securities	—	1,242	—	1,242
Bond funds	10,769	39,385	—	50,154
Liquidity funds	—	—	—	—
	<u>49,957</u>	<u>40,626</u>	<u>—</u>	<u>90,583</u>
	<u>139,855</u>	<u>193,042</u>	<u>34,330</u>	<u>367,227</u>
2021				
Fixed rate				
Fixed deposits	20,972	—	—	20,972
Debt securities	89,050	141,781	9,076	239,907
Bond funds	57,153	71,810	42,477	171,440
Liquidity funds	2,364	—	—	2,364
	<u>169,539</u>	<u>213,591</u>	<u>51,553</u>	<u>434,683</u>
Floating rate				
Cash at bank	50,205	—	—	50,205
Debt securities	—	4,980	—	4,980
Bond funds	—	5,341	25,476	30,817
Liquidity funds	—	—	—	—
	<u>50,205</u>	<u>10,321</u>	<u>25,476</u>	<u>86,002</u>
	<u>219,744</u>	<u>223,912</u>	<u>77,029</u>	<u>520,685</u>

Sensitivity analysis

A change of 100 (2021:100) basis points (“bp”) in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and does not take into consideration the Group’s interest rate futures contracts and interest rate swaps positions.

	Profit or loss		Equity	
	100 bp increase US\$’000	100 bp decrease US\$’000	100 bp increase US\$’000	100 bp decrease US\$’000
Group				
2022				
Debt securities	–	–	(2,642)	2,642
Bond funds	(2,499)	2,499	–	–
	<u>(2,499)</u>	<u>(2,499)</u>	<u>(2,642)</u>	<u>2,642</u>
2021				
Debt securities	–	–	(5,682)	5,682
Bond funds	(2,578)	2,578	–	–
	<u>(2,578)</u>	<u>2,578</u>	<u>(5,682)</u>	<u>5,682</u>
Company				
2022				
Debt securities	–	–	(2,311)	2,311
Bond funds	(2,499)	2,499	–	–
	<u>(2,499)</u>	<u>(2,499)</u>	<u>(2,311)</u>	<u>2,311</u>
2021				
Debt securities	–	–	(4,511)	4,511
Bond funds	(2,578)	2,578	–	–
	<u>(2,578)</u>	<u>2,578</u>	<u>(4,511)</u>	<u>4,511</u>

(iii) *Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Group invests primarily in debt securities whereby fair values or future cash flows of the financial instruments mainly arise from changes in interest rate and the issuers’ repayment abilities. The Group has very small allocation to equity funds and real estates, thus the price risk faced by the Group is relatively less volatile in the context of total investible assets. The Group may consider reducing weightings in risk assets when the economy and asset outlook appears less optimistic.

5.4 Capital management

The Group's capital management approach is founded on the objectives of maintaining adequate capital to meet regulatory and rating agencies' requirements and maintaining a capital structure and business mix that optimise stakeholder value. Significant buffers are also maintained against unexpected and catastrophic losses that could threaten solvency.

The Group's objectives when managing capital are:

- To comply with insurance capital requirements stipulated by the regulators of the respective insurance markets where the Company and its subsidiaries operates as required. In this respect, the Group manages its capital at an amount in excess of the minimum regulatory capital;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholder and benefits for other stakeholders;
- To provide an adequate return to its shareholder by pricing reinsurance contracts commensurately with the level of risk;
- To align the profile of the assets and liabilities taking into account of risks inherent in the business; and
- To maintain healthy capital ratios in order to support its business objectives and maximise shareholder's value.

Primary capital

The primary source of capital used by the Group is shareholders' equity. The Group also considers alternative sources of capital including retrocession, as appropriate when assessing its deployment and usage of capital.

The objective of the capital management policy is sustained and ensured through updates of forecasts as part of an annual strategic and financial planning process.

Regulatory capital

The Company's insurance regulator, the Monetary Authority of Singapore ("MAS"), specifies the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined to be the risk based capital, based on the MAS's Risk Based Capital framework ("RBC2"). RBC2 is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. The Company has complied with the minimum required capital requirement during the year.

The Company has a subsidiary in Malaysia, Asia Capital Reinsurance Malaysia Sdn. Bhd. that is regulated by Bank Negara Malaysia ("BNM"). The subsidiary complies with the capital requirements and targets as determined by the local regulatory capital frameworks applicable in Malaysia, in addition to those overlaid by the parent company's internal requirements.

5.5 Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	Designated at fair value US\$'000	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Available- for-sale US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
2022								
Cash and cash equivalents	16	–	–	72,304	–	–	72,304	72,304
Other receivables*	15	–	–	4,890	–	–	4,890	4,890
Amount due from holding company	13	–	–	459	–	–	459	459
Available-for-sale financial assets	8	–	–	–	258,931	–	258,931	258,931
Financial assets designated at fair value through profit or loss	8	286,725	–	–	–	–	286,725	286,725
Currency forward exchange contracts used for hedging	8	–	5,149	–	–	–	5,149	5,149
		<u>286,725</u>	<u>5,149</u>	<u>77,653</u>	<u>258,931</u>	<u>–</u>	<u>628,458</u>	<u>628,458</u>
Currency forward exchange contracts used for hedging	8	–	(2,223)	–	–	–	(2,223)	(2,223)
Other payables and accruals	19	–	–	–	–	(7,351)	(7,351)	(7,351)
Loans payables	20	–	–	–	–	(6,586)	(6,586)	(6,586)
		<u>–</u>	<u>(2,223)</u>	<u>–</u>	<u>–</u>	<u>(13,937)</u>	<u>(16,160)</u>	<u>(16,160)</u>

* The amount excludes prepayments.

Group	Note	Designated at fair value US\$'000	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Available- for-sale US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
2021								
Cash and cash equivalents	16	–	–	83,125	–	–	83,125	83,125
Other receivables*	15	–	–	14,440	–	–	14,440	14,440
Amount due from holding company	13	–	–	–	–	–	–	–
Available-for-sale financial assets	8	–	–	–	381,079	–	381,079	381,079
Financial assets designated at fair value through profit or loss	8	340,540	–	–	–	–	340,540	340,540
Currency forward exchange contracts used for hedging	8	–	5,886	–	–	–	5,886	5,886
		<u>340,540</u>	<u>5,886</u>	<u>97,565</u>	<u>381,079</u>	<u>–</u>	<u>825,070</u>	<u>825,070</u>
Currency forward exchange contracts used for hedging	8	–	(1,054)	–	–	–	(1,054)	(1,054)
Other payables and accruals	19	–	–	–	–	(10,217)	(10,217)	(10,217)
		<u>–</u>	<u>(1,054)</u>	<u>–</u>	<u>–</u>	<u>(10,217)</u>	<u>(11,271)</u>	<u>(11,271)</u>

* The amount excludes prepayments.

Company	Note	Designated at fair value US\$'000	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Available- for-sale US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
2022								
Cash and cash equivalents	16	–	–	54,699	–	–	54,699	54,699
Other receivables*	15	–	–	4,454	–	–	4,454	4,454
Amount due from subsidiaries	13	–	–	500	–	–	500	500
Amount due from related company		–	–	459	–	–	459	459
Available-for-sale debt securities	8	–	–	–	243,516	–	243,516	243,516
Financial assets designated at fair value through profit or loss	8	286,725	–	–	–	–	286,725	286,725
Currency forward exchange contracts used for hedging	8	–	5,149	–	–	–	5,149	5,149
		<u>286,725</u>	<u>5,149</u>	<u>60,112</u>	<u>243,516</u>	<u>–</u>	<u>595,502</u>	<u>595,502</u>
Currency forward exchange contracts used for hedging	8	–	(2,223)	–	–	–	(2,223)	(2,223)
Other payables and accruals	19	–	–	–	–	(5,746)	(5,746)	(5,746)
		<u>–</u>	<u>(2,223)</u>	<u>–</u>	<u>–</u>	<u>(5,746)</u>	<u>(7,969)</u>	<u>(7,969)</u>

* The amount excludes prepayments.

Company	Note	Designated at fair value US\$'000	Fair value – hedging instruments US\$'000	Loans and receivables US\$'000	Available- for-sale US\$'000	Other financial liabilities US\$'000	Total carrying amount US\$'000	Fair value US\$'000
2021								
Cash and cash equivalents	16	–	–	71,177	–	–	71,177	71,177
Other receivables*	15	–	–	13,565	–	–	13,565	13,565
Amount due from subsidiaries	13	–	–	472	–	–	472	472
Available-for-sale debt securities	8	–	–	–	340,403	–	340,403	340,403
Financial assets designated at fair value through profit or loss	8	340,540	–	–	–	–	340,540	430,540
Currency forward exchange contracts used for hedging	8	–	5,886	–	–	–	5,886	5,886
		<u>340,540</u>	<u>5,886</u>	<u>85,214</u>	<u>340,403</u>	<u>–</u>	<u>772,043</u>	<u>772,043</u>
Currency forward exchange contracts used for hedging	8	–	(1,054)	–	–	–	(1,054)	(1,054)
Other payables and accruals	19	–	–	–	–	(8,764)	(8,764)	(8,764)
		<u>–</u>	<u>(1,054)</u>	<u>–</u>	<u>–</u>	<u>(8,764)</u>	<u>(9,818)</u>	<u>(9,818)</u>

* The amount excludes prepayments.

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Financial assets and financial liabilities carried at fair value				
2022				
Fair value through profit or loss				
Bond funds	—	—	69,011	69,011
Liquidity funds	—	—	—	—
Property funds	—	—	153,881	153,881
Private market funds	—	—	63,833	63,833
	—	—	286,725	286,725
Available-for-sale				
Debt securities	—	146,350	—	146,350
Bond funds	—	112,581	—	112,581
	—	258,931	—	258,931
Derivatives designated as hedging instruments				
Currency forward contracts	—	2,926	—	2,926
	—	2,926	—	2,926
	—	261,857	286,725	548,582
2021				
Fair value through profit or loss				
Bond funds	—	—	106,741	106,741
Liquidity funds	2,364	—	—	2,364
Property funds	—	—	161,298	161,298
Private market funds	—	—	70,137	70,137
	2,364	—	338,176	340,540
Available-for-sale				
Debt securities	—	285,562	—	285,562
Bond funds	—	95,516	—	95,516
	—	381,079	—	381,079
Derivatives designated as hedging instruments				
Currency forward contracts	—	4,832	—	4,832
	—	4,832	—	4,832
	2,364	385,911	338,176	726,451

Company	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets and financial liabilities carried at fair value				
2022				
Fair value through profit or loss				
Bond funds	–	–	69,011	69,011
Liquidity funds	–	–	–	–
Property funds	–	–	153,881	153,881
Private market funds	–	–	63,833	63,833
	–	–	286,725	286,725
Available-for-sale				
Debt securities	–	130,935	–	130,935
Bond funds	–	112,581	–	112,581
	–	243,516	–	243,516
Derivatives designated as hedging instruments				
Currency forward contracts	–	2,926	–	2,926
	–	2,926	–	2,926
	–	246,442	286,725	533,167
2021				
Fair value through profit or loss				
Bond funds	–	–	106,741	106,741
Liquidity funds	2,364	–	–	2,364
Property funds	–	–	161,298	161,298
Private market funds	–	–	70,137	70,137
	2,364	–	338,176	340,540
Available-for-sale				
Debt securities	–	244,887	–	244,887
Bond funds	–	95,516	–	95,516
		340,403	–	340,403
Derivatives designated as hedging instruments				
Currency forward contracts	–	4,832	–	4,832
	–	4,832	–	4,832
	2,364	345,235	338,176	685,775

(i) **Valuation techniques and significant unobservable inputs**

The following tables show the valuation techniques used in measuring fair values of Level 3 financial instruments, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Bond funds	The fair values of bond funds are derived based on the net asset values obtained from the fund managers at the reporting date. The valuations obtained from the managers are based on various analyses on the underlying holdings in each fund.	<ul style="list-style-type: none"> Discount rate Illiquidity factor 	The estimated fair value would increase (decrease) if the net asset values were higher (lower).
Property funds	The fair values of property funds are derived based on the net asset values obtained from the fund managers at the reporting date. The valuations obtained from the managers are based on various analyses on the underlying holdings in each fund, including financial valuation models and projections, comparable valuations from the public markets and precedent private market transactions.	<ul style="list-style-type: none"> Discount rate Illiquidity factor Occupancy rate 	The estimated fair value would increase (decrease) if the net asset values were higher (lower).
Private market funds	<p>Market comparison/discounted cash flow: The fair value is estimated considering:</p> <p>(i) current or recent quoted prices for identical securities in markets that are not active and</p> <p>(ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets.</p>	<ul style="list-style-type: none"> Discount rate 	The estimated fair value would increase (decrease) if the discount rate decrease (increase).

5.6 Measurement of fair values

The fair value of financial assets traded in active markets is based on quoted market prices at the reporting date. The quoted market is determined by reference to their quoted bid prices or last traded price. These investments are included in Level 1.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value. The fair values of forward exchange contracts and certain debt securities are estimated based on quotes obtained from Reuters/Bloomberg and prices quoted by the broker at the reporting date. These investments are included in Level 2 and comprise debt securities, equity fund and derivative financial instruments.

The fair values of property funds are derived based on the net asset values obtained from the fund managers at the reporting date. The valuations obtained from the managers are based on various analyses on the underlying holdings in each fund, including financial valuation models and projections, comparable valuations from the public markets and precedent private market transactions. Investments are valued based on the fund's beneficial interest in the underlying net assets of the fund as determined by the partnership agreement. As the valuation technique for these investments is based on significant unobservable inputs, such investments are included in Level 3.

The Level 3 relates to bond funds, property funds and private market funds where observable market data is not available. Although the Group believes that the fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Fair value of bond funds, property funds and private market funds will increase if comparable valuations from the public markets and precedent private market transactions are favourable.

During the financial year, there is no transfer of investments between Level 1, 2 and 3.

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 financial instruments:

Group and Company	Fair value through profit or loss US\$'000
At 1 January 2021	384,214
Addition	10,293
Disposal	(86,917)
Total gains and losses recognised in profit or loss:	
- Change in fair value of investments	30,586
At 31 December 2021	<u>338,176</u>
At 1 January 2022	338,176
Addition	3,832
Disposal	(44,178)
Total gains and losses recognised in profit or loss:	
- Change in fair value of investments	(11,104)
At 31 December 2022	<u>286,725</u>

6 Property and equipment

Group	Buildings US\$'000	Computer equipment US\$'000	Motor vehicle US\$'000	Office equipment US\$'000	Furniture and fittings US\$'000	Work-in- progress US\$'000	Total US\$'000
Cost							
At 1 January 2021	6,562	2,253	104	261	1,022	36	10,238
Additions	3,861	111	–	12	2	1,138	5,124
Disposals	(3,951)	(366)	–	(51)	(276)	(86)	(4,730)
Foreign exchange translation	–	(15)	–	(4)	(3)	–	(22)
At 31 December 2021	6,472	1,983	104	218	745	1,088	10,610
At 1 January 2022	6,472	1,983	104	218	745	1,088	10,610
Additions	89	67	–	–	–	506	662
Disposals	(561)	(98)	(33)	(39)	(2)	–	(733)
Transfers	–	1,594	–	–	–	(1,594)	–
Foreign exchange translation	–	(19)	–	(6)	(16)	–	(41)
At 31 December 2022	6,000	3,527	71	173	727	–	10,498
Accumulated depreciation							
At 1 January 2021	2,538	1,673	104	221	675	–	5,211
Revaluation of property	101	–	–	–	–	–	101
Disposals	(3,647)	(362)	–	(53)	(254)	–	(4,316)
Depreciation charge for the year	1,699	359	–	17	125	–	2,200
Foreign exchange translation	–	(14)	–	(4)	(3)	–	(21)
At 31 December 2021	691	1,656	104	181	543	–	3,175
At 1 January 2022	691	1,656	104	181	543	–	3,175
Revaluation of property	105	–	–	–	–	–	105
Disposals	(611)	(96)	(33)	(26)	(2)	–	(768)
Depreciation charge for the year	1,393	511	–	11	65	–	1,980
Foreign exchange translation	–	(20)	–	(6)	(16)	–	(42)
At 31 December 2022	1,578	2,051	71	160	590	–	4,450
Carrying amounts							
At 1 January 2021	4,024	580	–	40	347	36	5,027
At 31 December 2021	5,781	327	–	37	202	1,088	7,435
At 31 December 2022	4,422	1,476	–	13	137	–	6,048

Company	Buildings	Computer equipment	Motor vehicle	Office equipment	Furniture and fittings	Work-in-progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost							
At 1 January 2021	4,511	1,615	33	114	627	36	6,936
Additions	3,861	108	–	12	2	1,137	5,121
Disposals	(3,951)	(336)	–	(53)	(275)	(86)	(4,730)
Transfers	–	–	–	–	–	–	–
At 31 December 2021	4,421	1,357	33	74	354	1,088	7,327
At 1 January 2022	4,421	1,357	33	74	354	1,088	7,327
Additions	89	63	–	–	–	506	658
Disposals	(561)	(92)	(33)	(38)	(2)	–	(726)
Transfers	–	1,594	–	–	–	(1,594)	–
At 31 December 2022	3,949	2,922	–	36	352	–	7,259
Accumulated depreciation							
At 1 January 2021	2,464	1,106	33	88	280	–	3,971
Depreciation charge for the year	1,647	358	–	11	125	–	2,142
Disposals	(3,595)	(362)	–	(52)	(254)	–	(4,263)
At 31 December 2021	516	1,102	33	47	151	–	1,850
At 1 January 2022	516	1,102	33	47	151	–	1,850
Depreciation charge for the year	1,344	509	–	6	65	–	1,925
Disposals	(562)	(90)	(33)	(25)	(2)	–	(713)
At 31 December 2022	1,369	1,450	–	28	214	–	3,062
Carrying amounts							
At 1 January 2021	2,047	509	–	26	347	36	2,965
At 31 December 2021	3,834	326	–	27	203	1,088	5,477
At 31 December 2022	2,580	1,472	–	8	138	–	4,197

Property and equipment includes right-of-use assets of US\$2.6 million (2021: US\$3.8 million) and US\$2.6 million (2021: US\$3.8 million) related to buildings, motor vehicles and office equipment of the Group and the Company respectively under leases as at 31 December 2022. See Note 26.

Fair value information

Included in property and equipment is a building that is measured at fair value. Fair value of the building is categorised as follows:

Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2022				
Building	–	1,847	–	1,847
2021				
Building	–	1,951	–	1,951

Valuation technique

The building was revalued as at 31 December 2022 by VPC Alliance (KL) Sdn. Bhd (2021: revalued by VPC Alliance (KL) Sdn. Bhd.), a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeable, prudently and without compulsion. The valuation has considered the impact of Covid-19, which resulted in the reduction of fair value as of 31 December 2022. Information relating to transaction volume and other relevant market evidences was obtained and verified in the valuations. There is no material uncertainty disclosed in the valuation reports.

7 Investment in subsidiaries

	Company	
	2022	2021
	US\$'000	US\$'000
Equity shares at cost	39,184	46,400

Details of the investments in subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Class of shares	Ownership interest	
				2022 %	2021 %
Asia Capital Reinsurance Malaysia Sdn. Bhd.	Malaysia	General reinsurance	Ordinary	100	100
ACR ReTakaful Holdings Limited	United Arab Emirates	Investment holding	Ordinary	100	100
Propco (Telford) Limited*	Guernsey	Investment holding	Ordinary	100	100

Wholly-owned subsidiaries of ACR ReTakaful Holdings Limited:

- ACRR Sendirian Berhad (formerly known as: ACR ReTakaful Berhad) #	Malaysia	Investment holding	Ordinary	100	100
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* Propco (Telford) Limited was acquired with effect from 15 April 2020. The entity's principal activity is that of an investment holding company that invests in investment properties. Audited by Shipleys LLP.

Asia Capital Reinsurance Malaysia Sdn. Bhd is in run-off, ACRR Sendirian Berhad and ACR Retakaful Holdings Limited are pending liquidation.

8 Investments

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Fair value through profit or loss				
- Bond funds	69,011	106,741	69,011	106,741
- Liquidity funds	–	2,364	–	2,364
- Property funds	153,881	161,298	153,881	161,298
- Private market funds	63,833	70,137	63,833	70,137
	<u>286,725</u>	<u>340,540</u>	<u>286,725</u>	<u>340,540</u>
Available-for-sale				
- Debt securities	146,350	285,562	130,935	244,887
- Bond funds	112,581	95,516	112,581	95,516
	<u>258,931</u>	<u>381,079</u>	<u>243,516</u>	<u>340,403</u>
Derivatives designated as hedging instruments				
- Currency forward contracts	5,149	5,886	5,149	5,886
	<u>5,149</u>	<u>5,886</u>	<u>5,149</u>	<u>5,886</u>
	<u>550,806</u>	<u>727,505</u>	<u>535,390</u>	<u>686,829</u>
Financial liabilities				
Derivatives designated as hedging instruments				
- Currency forward contracts	(2,223)	(1,054)	(2,223)	(1,054)
	<u>(2,223)</u>	<u>(1,054)</u>	<u>(2,223)</u>	<u>(1,054)</u>

Investments are allocated as follows:

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current	438,972	569,214	428,690	532,376
Current	109,610	157,237	104,477	153,399
	<u>548,582</u>	<u>726,451</u>	<u>533,167</u>	<u>685,775</u>

The following tables show a summary of the type of investments held by the Company as at 31 December 2022 and 2021 and the respective credit ratings, which are based on S&P's credit rating or its equivalent.

Group	AAA rated US\$'000	AA rated US\$'000	A rated US\$'000	BBB rated US\$'000	BB rated US\$'000	B rated US\$'000	Below B rated US\$'000	Not rated US\$'000	Total US\$'000
2022									
Fair value through profit or loss									
Bond funds [#]	2,220	383	–	23,484	666	26,201	10,839	5,218	69,011
Liquidity funds*	–	–	–	–	–	–	–	–	–
Property funds ^	–	–	–	–	–	–	–	153,881	153,881
Private market funds [@]	–	–	–	–	–	–	–	63,833	63,833
	<u>2,220</u>	<u>383</u>	<u>–</u>	<u>23,484</u>	<u>666</u>	<u>26,201</u>	<u>10,839</u>	<u>222,932</u>	<u>286,725</u>
Available-for-sale									
<i>Debt securities</i>									
Corporate bonds	2,330	22,293	41,703	51,945	6,618	–	325	–	125,214
Government & quasi-government bonds	–	3,390	10,225	7,521	–	–	–	–	21,136
	<u>2,330</u>	<u>25,683</u>	<u>51,928</u>	<u>59,466</u>	<u>6,618</u>	<u>–</u>	<u>325</u>	<u>–</u>	<u>146,350</u>
Bond funds [#]	47,857	4,796	5,691	22,332	18,248	4,642	9,015	–	112,581
	<u>50,187</u>	<u>30,479</u>	<u>57,619</u>	<u>81,798</u>	<u>24,866</u>	<u>4,642</u>	<u>9,340</u>	<u>–</u>	<u>258,931</u>
Derivatives designated as hedging instruments									
Currency forward contracts	–	–	2,926	–	–	–	–	–	2,926
	<u>–</u>	<u>–</u>	<u>2,926</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,926</u>
	<u>52,407</u>	<u>30,862</u>	<u>60,545</u>	<u>105,282</u>	<u>25,532</u>	<u>30,843</u>	<u>20,179</u>	<u>222,932</u>	<u>548,582</u>

Group	AAA rated US\$'000	AA rated US\$'000	A rated US\$'000	BBB rated US\$'000	BB rated US\$'000	B rated US\$'000	Below B rated US\$'000	Not rated US\$'000	Total US\$'000
2021									
Fair value through profit or loss									
Bond funds [#]	1,988	1,113	740	45,354	27,914	6,549	17,740	5,341	106,741
Liquidity funds*	2,364	—	—	—	—	—	—	—	2,364
Property funds ^	—	—	—	—	—	—	—	161,298	161,298
Private market funds [@]	—	—	—	—	—	—	—	70,137	70,137
	<u>4,352</u>	<u>1,113</u>	<u>740</u>	<u>45,354</u>	<u>27,914</u>	<u>6,549</u>	<u>17,740</u>	<u>236,777</u>	<u>340,540</u>
Available-for-sale									
<i>Debt securities</i>									
Corporate bonds	—	23,541	88,651	111,447	19,911	780	—	—	244,330
Government & quasi-government bonds	3,557	16,817	11,175	9,683	—	—	—	—	41,232
	<u>3,557</u>	<u>40,358</u>	<u>99,826</u>	<u>121,130</u>	<u>19,911</u>	<u>780</u>	<u>—</u>	<u>—</u>	<u>285,562</u>
Bond funds [#]	40,603	4,069	4,829	18,947	15,482	3,938	7,649	—	95,516
	<u>44,159</u>	<u>44,426</u>	<u>104,655</u>	<u>140,078</u>	<u>35,393</u>	<u>4,718</u>	<u>7,649</u>	<u>—</u>	<u>381,079</u>
Derivatives designated as hedging instruments									
Currency forward contracts	—	—	4,832	—	—	—	—	—	4,832
	<u>—</u>	<u>—</u>	<u>4,832</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,832</u>
	<u>48,511</u>	<u>45,540</u>	<u>110,228</u>	<u>185,432</u>	<u>63,308</u>	<u>11,268</u>	<u>25,389</u>	<u>236,777</u>	<u>726,451</u>

Company	AAA rated US\$'000	AA rated US\$'000	A rated US\$'000	BBB rated US\$'000	BB rated US\$'000	B rated US\$'000	Below B rated US\$'000	Not rated US\$'000	Total US\$'000
2022									
Fair value through profit or loss									
Bond funds [#]	2,220	383	–	23,484	666	26,201	10,839	5,218	69,011
Liquidity funds*	–	–	–	–	–	–	–	–	–
Property funds ^	–	–	–	–	–	–	–	153,881	153,881
Private market funds [@]	–	–	–	–	–	–	–	63,833	63,833
	<u>2,220</u>	<u>383</u>	<u>–</u>	<u>23,484</u>	<u>666</u>	<u>26,201</u>	<u>10,839</u>	<u>222,932</u>	<u>286,725</u>
Available-for-sale									
<i>Debt securities</i>									
Corporate bonds	2,330	22,293	41,141	37,423	6,287	–	325	–	109,799
Government & quasi-government bonds	–	3,390	10,225	7,521	–	–	–	–	21,136
	<u>2,330</u>	<u>25,683</u>	<u>51,366</u>	<u>44,944</u>	<u>6,287</u>	<u>–</u>	<u>325</u>	<u>–</u>	<u>130,935</u>
Bond funds [#]	47,857	4,796	5,691	22,332	18,248	4,642	9,015	–	112,581
	<u>50,187</u>	<u>30,479</u>	<u>57,057</u>	<u>67,276</u>	<u>24,535</u>	<u>4,642</u>	<u>9,340</u>	<u>–</u>	<u>243,516</u>
Derivatives designated as hedging instruments									
Currency forward contracts	–	–	2,926	–	–	–	–	–	2,926
	<u>–</u>	<u>–</u>	<u>2,926</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,926</u>
	<u>52,407</u>	<u>30,862</u>	<u>59,983</u>	<u>90,760</u>	<u>25,201</u>	<u>30,843</u>	<u>20,179</u>	<u>222,932</u>	<u>533,167</u>

Company	AAA rated US\$'000	AA rated US\$'000	A rated US\$'000	BBB rated US\$'000	BB rated US\$'000	B rated US\$'000	Below B rated US\$'000	Not rated US\$'000	Total US\$'000
2021									
Fair value through profit or loss									
Bond funds [#]	1,988	1,113	740	45,354	27,914	6,549	17,740	5,341	106,741
Liquidity funds*	2,364	—	—	—	—	—	—	—	2,364
Property funds ^	—	—	—	—	—	—	—	161,298	161,298
Private market funds [@]	—	—	—	—	—	—	—	70,137	70,137
	<u>4,352</u>	<u>1,113</u>	<u>740</u>	<u>45,354</u>	<u>27,914</u>	<u>6,549</u>	<u>17,740</u>	<u>236,777</u>	<u>340,540</u>
Available-for-sale									
<i>Debt securities</i>									
Corporate bonds	—	23,541	78,173	81,604	19,557	780	—	—	203,655
Government & quasi-government bonds	3,557	16,817	11,175	9,683	—	—	—	—	41,232
	<u>3,557</u>	<u>40,358</u>	<u>89,348</u>	<u>91,287</u>	<u>19,557</u>	<u>780</u>	<u>—</u>	<u>—</u>	<u>244,887</u>
Bond funds [#]	40,603	4,069	4,829	18,947	15,482	3,938	7,649	—	95,516
	<u>44,159</u>	<u>44,426</u>	<u>94,177</u>	<u>110,235</u>	<u>35,039</u>	<u>4,718</u>	<u>7,649</u>	<u>—</u>	<u>340,403</u>
Derivatives designated as hedging instruments									
Currency forward contracts	—	—	4,832	—	—	—	—	—	4,832
	<u>—</u>	<u>—</u>	<u>4,832</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,832</u>
	<u>48,511</u>	<u>45,540</u>	<u>99,749</u>	<u>155,589</u>	<u>62,953</u>	<u>11,268</u>	<u>25,389</u>	<u>236,777</u>	<u>685,775</u>

- * The Group and the Company invest in liquidity funds mainly for its working capital requirements. These funds aim to achieve a current investment income while maintaining liquidity and stability of the principal. These funds invest primarily in a portfolio of high quality, short duration fixed income securities such as commercial papers, certificates of deposits, time deposits, government bonds, government agency debts and corporate bonds.
- # The Group and the Company invest in bond funds with the aim of achieving investment return while maintaining strong liquidity and preservation of capital. The funds invest primarily in government and corporate bonds.
- ^ The Group and the Company invest in property funds with the aim of diversifying the investment portfolio as well as enhancing long term investment returns. These funds utilise disciplined value-added and active asset management approach, invest in pan-European private and North American properties with the objective of achieving investment gains through enhancing the value proposition of their property assets.
- @ The Group and the Company invest in a global private market funds to further enhance returns through a diversified private markets portfolio consisting of private equity, private debt, infrastructure and real estate investments.

Derivative financial instruments

The Group and Company enter into currency forward contracts for the purpose of foreign exchange risk hedging, credit risk hedging and interest rate hedging respectively and efficient portfolio management.

The notional amount and net fair value of the derivative financial instruments as at 31 December 2022 and 2021 are as set out below.

Group and Company

	Notional amount 2022 US\$'000	Fair value 2022 US\$'000	Notional amount 2021 US\$'000	Fair value 2021 US\$'000
Currency forward contracts	208,846	2,926	236,730	4,832

9 Investment properties

	Group 2022 US\$'000	2021 US\$'000
At 1 January	23,103	25,145
Purchase	—	—
Disposal	—	(1,249)
Change in fair value	(1,040)	(70)
Foreign currency translation	(2,583)	(723)
At 31 December	19,480	23,103

Investment properties comprise a number of commercial properties that are leased to third parties. The valuation has considered the impact of Covid-19, which resulted in the reduction of fair value as of 31 December 2022. Information relating to transaction volume and other relevant market evidences was obtained and verified in the valuations. There is no material uncertainty disclosed in the valuation reports.

The following are recognised in the profit or loss in respect of investment properties:

	Group 2022 US\$'000	2021 US\$'000
Rental income	1,811	1,954
Repair and maintenance expenses	(976)	(528)
	835	1,426

Fair value information

Fair value of investment properties are categorised as follows:

Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2022				
Investment properties	–	19,480	–	19,480
2021				
Investment properties	–	23,103	–	23,103

Valuation technique

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

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales price of comparable units in the same investment properties are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable units in the same investment properties.

There is no transfer between Level 1 and 2 fair values during the financial year (2021: nil).

10 Deferred acquisition costs

The movements in deferred acquisition costs are as follows:

	Group			Group		
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Deferred acquisition costs						
At beginning of the year	6,946	(696)	6,250	28,081	(1,553)	26,528
Acquisition costs	1,597	1,373	2,970	(2,261)	1,821	(440)
Amortisation of deferred acquisition costs	(6,549)	(843)	(7,392)	(17,051)	(1,376)	(18,427)
Currency translation	(529)	(16)	(545)	(1,823)	412	(1,411)
At end of the year	1,465	(182)	1,283	6,946	(696)	6,250

	Company			Company		
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Deferred acquisition costs						
At beginning of the year	6,934	(691)	6,243	27,848	(1,338)	26,510
Acquisition costs	1,222	1,468	2,690	(2,468)	991	(1,477)
Amortisation of deferred acquisition costs	(6,149)	(964)	(7,113)	(17,030)	(349)	(17,379)
Currency translation	(544)	–	(544)	(1,416)	5	(1,411)
At end of the year	1,463	(187)	1,276	6,934	(691)	6,243

Deferred acquisition costs are allocated as follows:

	Group			Group		
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Non-current	596	(148)	448	1,577	(156)	1,421
Current	869	(34)	835	5,369	(540)	4,829
	1,465	(182)	1,283	6,946	(696)	6,250

	Company			Company		
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Non-current	624	(80)	544	1,579	(157)	1,422
Current	839	(107)	732	5,355	(534)	4,821
	1,463	(187)	1,276	6,934	(691)	6,243

11 Insurance contract provisions

	Group					
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Provision for unexpired risks	9,125	(1,575)	7,550	22,932	(6,101)	16,831
Provision for insurance claims	353,397	(82,543)	270,854	551,592	(102,737)	448,855
	362,522	(84,118)	278,404	574,524	(108,838)	465,686

Insurance contract provisions are allocated as follows:

	Group					
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Non-current	182,785	(53,183)	129,602	294,646	(63,485)	231,161
Current	179,737	(30,935)	148,802	279,878	(45,353)	234,525
	362,522	(84,118)	278,404	574,524	(108,838)	465,686

The movements in insurance contract provisions are as follows:

	Group					
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Provision for unexpired risks						
At beginning of the year	22,932	(6,101)	16,831	83,040	(12,024)	71,016
Premiums written	8,361	(5,395)	2,966	5,570	3,351	8,921
Premiums earned	(21,091)	10,014	(11,077)	(60,520)	693	(59,827)
Currency translation	(1,077)	(93)	(1,170)	(5,158)	1,879	(3,279)
At end of the year	9,125	(1,575)	7,550	22,932	(6,101)	16,831
Provision for insurance claims						
At beginning of the year	551,592	(102,737)	448,855	734,190	(139,266)	594,924
Claims paid	(171,119)	28,650	(142,469)	(191,386)	35,985	(155,401)
Reclassification	15,316	(15,316)	-	-	-	-
Loss portfolio transfers	(4,725)	150	(4,575)	(3,170)	360	(2,810)
Claims incurred	(19,878)	4,905	(14,973)	24,097	999	25,096
Currency translation	(17,789)	1,805	(15,984)	(12,139)	(815)	(12,954)
At end of the year	353,397	(82,543)	270,854	551,592	(102,737)	448,855
	362,522	(84,118)	278,404	574,524	(108,838)	465,686

Provision for unexpired risks are allocated as follows:

	Group					
	2022			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
	US\$'000	share	US\$'000	US\$'000	share	US\$'000
		US\$'000			US\$'000	
Non-current	6,376	(1,102)	5,274	12,605	(5,498)	7,107
Current	2,749	(473)	2,276	10,327	(603)	9,724
	<u>9,125</u>	<u>(1,575)</u>	<u>7,550</u>	<u>22,932</u>	<u>(6,101)</u>	<u>16,831</u>

The following are the contractual maturities of the liabilities of the Group except for the net insurance contract provisions which are presented with their expected cashflows, including estimated interest payments:

	Group					
	2022			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
	US\$'000	share	US\$'000	US\$'000	share	US\$'000
		US\$'000			US\$'000	
Due in one year	186,948	(38,527)	148,421	269,551	(44,750)	224,801
Due after one through three years	126,284	(36,021)	90,263	198,986	(45,327)	153,659
Due after three years but less than five years	34,009	(7,163)	26,846	66,460	(10,767)	55,693
Due after five years	6,156	(832)	5,324	16,595	(1,893)	14,702
	<u>353,397</u>	<u>(82,543)</u>	<u>270,854</u>	<u>551,592</u>	<u>(102,737)</u>	<u>448,855</u>

	Company					
	2022			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
	US\$'000	share	US\$'000	US\$'000	share	US\$'000
		US\$'000			US\$'000	
Provision for unexpired risks	9,112	(1,569)	7,543	22,903	(6,097)	16,806
Provision for insurance claims	337,369	(74,961)	262,408	539,649	(104,847)	434,802
	<u>346,481</u>	<u>(76,530)</u>	<u>269,951</u>	<u>562,552</u>	<u>(110,944)</u>	<u>451,608</u>

Insurance contract provisions are allocated as follows:

	Company					
	2022			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
	US\$'000	share	US\$'000	US\$'000	share	US\$'000
		US\$'000			US\$'000	
Non-current	168,310	(43,881)	124,429	273,692	(49,975)	223,717
Current	178,171	(32,649)	145,522	288,860	(60,969)	227,891
	<u>346,481</u>	<u>(76,530)</u>	<u>269,951</u>	<u>562,552</u>	<u>(110,944)</u>	<u>451,608</u>

The movements in insurance contract provisions are as follows:

	Company					
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Provision for unexpired risks						
At beginning of the year	22,903	(6,097)	16,806	81,930	(11,250)	70,680
Premiums written	8,189	(5,471)	2,718	4,768	2,921	7,689
Premiums earned	(20,809)	9,999	(10,810)	(60,230)	1,935	(58,295)
Currency translation	(1,171)	–	(1,171)	(3,565)	297	(3,268)
At end of the year	9,112	(1,569)	7,543	22,903	(6,097)	16,806
Provision for insurance claims						
At beginning of the year	539,649	(104,847)	434,802	709,980	(135,558)	574,422
Claims paid	(165,711)	25,915	(139,796)	(189,988)	32,628	(157,360)
Loss portfolio transfers	(4,678)	127	(4,551)	(3,112)	388	(2,724)
Claims incurred	(16,036)	3,238	(12,798)	36,091	(3,328)	32,763
Currency translation	(15,855)	606	(15,249)	(13,322)	1,023	(12,299)
At end of the year	337,369	(74,961)	262,408	539,649	(104,847)	434,802
	346,481	(76,530)	269,951	562,552	(110,944)	451,608

Provision for unexpired risks are allocated as follows:

	Company					
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Non-current	6,363	(1,096)	5,267	9,119	(2,428)	6,691
Current	2,749	(473)	2,276	13,784	(3,669)	10,115
	9,112	(1,569)	7,543	22,903	(6,097)	16,806

The following are the contractual maturities of the liabilities of the Company except for the net insurance contract provisions which are presented with their expected cashflows, including estimated interest payments:

	Company					
	2022			2021		
	Gross US\$'000	Ceded share US\$'000	Net US\$'000	Gross US\$'000	Ceded share US\$'000	Net US\$'000
Due in one year	175,422	(32,176)	143,246	275,077	(57,300)	217,777
Due after one through three years	122,521	(34,825)	87,696	184,875	(36,082)	148,793
Due after three years but less than five years	33,325	(7,070)	26,255	63,704	(9,655)	54,049
Due after five years	6,101	(890)	5,211	15,993	(1,810)	14,183
	<u>337,369</u>	<u>(74,961)</u>	<u>262,408</u>	<u>539,649</u>	<u>(104,847)</u>	<u>434,802</u>

12 Insurance receivables

	Group		Company	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Inward insurance receivables and amounts due from retrocessionaires				
- third parties	61,622	147,422	52,663	124,023
- subsidiaries	–	–	–	1,095
	<u>61,622</u>	<u>147,422</u>	<u>52,663</u>	<u>125,118</u>
Deposits retained by cedants	9,228	15,535	9,215	15,514
	<u>70,850</u>	<u>162,957</u>	<u>61,878</u>	<u>140,632</u>

The ageing of inward insurance receivables, amounts due from retrocessionaires and the related allowance for impairment loss at the reporting date are as follows:

	Group					
	2022			2021		
	Gross US\$'000	Allowance US\$'000	Net US\$'000	Gross US\$'000	Allowance US\$'000	Net US\$'000
Not due	34,488	–	34,488	65,980	–	65,980
Up to 6 months	15,681	–	15,681	20,353	–	20,353
Above 6 months but not exceeding 12 months	3,387	–	3,387	3,391	–	3,391
Above 12 months	24,363	(7,069)	17,294	80,329	(7,096)	73,233
	<u>77,919</u>	<u>(7,069)</u>	<u>70,850</u>	<u>170,053</u>	<u>(7,096)</u>	<u>162,957</u>

	Company					
	2022			2021		
	Gross US\$'000	Allowance US\$'000	Net US\$'000	Gross US\$'000	Allowance US\$'000	Net US\$'000
Not due	33,873	–	33,873	51,701	–	51,701
Up to 6 months	13,138	–	13,138	18,892	–	18,892
Above 6 months but not exceeding 12 months	2,163	–	2,163	2,870	–	2,870
Above 12 months	19,743	(7,039)	12,704	74,207	(7,039)	67,168
	<u>68,917</u>	<u>(7,039)</u>	<u>61,878</u>	<u>147,670</u>	<u>(7,039)</u>	<u>140,632</u>

The above receivables have been individually assessed for impairment after considering information such as occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and dispute with counterparties.

Based on historical default rates, the Group and the Company believe that no impairment allowance is necessary in respect of the insurance receivables not past due or past due up to 6 months. These receivables are mainly arising from cedants and brokers that have a good credit history with the Group and the Company.

The movements in allowance for impairment loss on receivables in respect of insurance receivables during the year are as follows:

	Note	Group		Company	
		2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
At beginning of the year		7,096	7,118	7,039	7,039
Allowance for impairment loss of insurance receivables	25	198	189	–	–
Reversal of allowance for impairment loss of insurance receivables	25	(220)	(210)	–	–
Bad debts written off		–	–	–	–
Currency translation		(5)	1	–	–
At end of the year		<u>7,069</u>	<u>7,096</u>	<u>7,039</u>	<u>7,039</u>

13 Amounts due/(to) from related company and holding company

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts due from/(to) holding company (non-trade)	–	(93)	–	(93)
Amounts due from/(to) related company (non-trade)	459	–	459	–
Loan to holding company	–	–	–	–
	<u>459</u>	<u>(93)</u>	<u>459</u>	<u>(93)</u>

The amounts due from related company and holding company are current, unsecured, interest-free and are repayable on demand. There was no allowance for impairment loss arising from the outstanding non-trade balance.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loan to holding company US\$'000
Balance at 1 January 2021	(20,000)
Changes from financing cash flows	
Loan repayment from holding company	20,000
Balance at 31 December 2021	<u>–</u>
Balance at 1 January 2022	–
Changes from financing cash flows	
Loan repayment from holding company	–
Balance at 31 December 2022	<u>–</u>

14 Amounts due from subsidiaries

	Company	
	2022	2021
	US\$'000	US\$'000
Amounts due from subsidiaries (non-trade)	<u>500</u>	<u>472</u>

The amounts due from subsidiaries are current.

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand. There was no allowance for impairment loss arising from the outstanding balance.

15 Other receivables

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued interest from investment	1,974	2,919	1,793	2,502
Investment receivables	644	9,981	644	9,981
Others	2,272	1,540	2,017	1,082
	4,890	14,440	4,454	13,565
Prepayments	58	83	38	40
	4,948	14,523	4,492	13,605

Other receivables are current.

16 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and in hand	46,593	58,729	39,187	50,205
Deposits with financial institutions	25,711	24,396	15,512	20,972
Cash and cash equivalents in the statement of financial position	72,304	83,125	54,699	71,177
Restricted bank balances	(3,514)	(10,223)	(3,514)	(10,223)
Cash and cash equivalents in the statement of cash flows	68,790	72,902	51,185	60,954

Included in the Group and Company's cash at bank and in hand is US\$3.5 million (2021: US\$10.2 million) of restricted cash pledged as security for trade letter of credit facility.

The weighted average effective interest rate per annum relating to deposits with financial institutions at the reporting date is 1.6% (2021: 0.7%).

Deposits with financial institutions are generally placed on short-term maturities of less than 12 months in duration.

17 Capital and reserves

Share capital

	2022 Number of shares '000	2021 Number of shares '000	2022 US\$'000	2021 US\$'000
Fully paid ordinary shares, with no par value:				
Balance at 1 January	558,198	858,198	558,198	858,198
Capital reduction	(50,000)	(300,000)	(50,000)	(300,000)
Balance at 31 December	508,198	558,198	508,198	558,198

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

There was a capital reduction approved by Monetary Authority of Singapore totalling 50,000,000 shares at US\$1 each during the year. (2021: 300,000,000 shares of US\$1 each)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve relates to the revaluation of properties.

Dividends

A first and final one-tier tax-exempt dividend of US\$50,000,000 for the financial year ended 31 December 2021 was declared and paid by the Company in 2022 (2021: nil).

18 Insurance payables

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Insurance payables	26,830	44,292	25,504	31,649

Insurance payables are current.

19 Other payables and accruals

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Accrued expenses	4,431	6,200	3,977	5,812
Accrued restructuring expenses	1,311	2,032	606	1,527
Other payables	1,609	1,985	1,163	1,425
	7,351	10,217	5,746	8,764

Other payables and accruals are current.

20 Loan payables

	Group		Company	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Loan payables	6,586	—	—	—

The Group has 1 principal bank loan which was entered into by one of the subsidiaries of the Group (Propco (Telford) Limited) with Lloyd bank. A loan of GBP 5.6 million was drawn on 20 January 2022 based on the signed facility agreement dated on the same day. The loan is secured by a charge over the investment property held by the subsidiary whose carrying value is \$14.9 million (2021: \$17.2 million). The loan carries interest rate at 3%.

21 Deferred tax (assets) and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Deferred tax (assets) and liabilities are attributable to the following:

	----- Assets -----		----- Liabilities -----	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Available-for-sale				
financial assets	–	–	137	184
Tax loss carry-forwards	(2)	(364)	–	–
Others	–	–	241	447
Deferred tax (assets)/liabilities	(2)	(364)	378	631
Set off of tax	–	–	–	–
Net deferred tax				
(assets)/liabilities	(2)	(364)	378	631
Company				
Tax loss carry-forwards	(2)	(364)	–	–
Others	–	–	–	139
Net deferred tax				
(assets)/liabilities	(2)	(364)	–	139

Tax losses carried forward

The tax losses of US\$0.01 million (2021: US\$1.5 million) do not expire under current tax legislation. The utilisation of tax losses carried forward is subject to the agreement of the tax authority.

Movements in deferred tax (assets) and liabilities (prior to offsetting of balances) during the year are as follows:

Group

	Balance as at 1 January 2021 US\$'000	Recognised in profit or loss US\$'000	Recognised in other compre- hensive income US\$'000	Currency translation US\$'000	Balance as at 31 December 2021 US\$'000	Recognised in profit or loss US\$'000	Recognised in other compre- hensive income US\$'000	Currency translation US\$'000	Balance as at 31 December 2022 US\$'000
Available-for-sale financial assets	–	–	184	–	184	–	(47)	–	137
Tax loss carry-forwards	(13,748)	13,384	–	–	(364)	362	–	–	(2)
Others	536	(490)	–	401	447	(66)	8	(148)	241
	<u>(13,212)</u>	<u>12,894</u>	<u>184</u>	<u>401</u>	<u>267</u>	<u>296</u>	<u>(39)</u>	<u>(148)</u>	<u>376</u>

Company

	Balance as at 1 January 2021 US\$'000	Recognised in profit or loss US\$'000	Recognised in other comprehensive income US\$'000	Balance as at 31 December 2021 US\$'000	Recognised in profit or loss US\$'000	Recognised in other comprehensive income US\$'000	Balance as at 31 December 2022 US\$'000
Tax loss carry-forwards	(13,655)	13,291	–	(364)	362	–	(2)
Others	536	(397)	–	139	(139)	–	–
	<u>(13,119)</u>	<u>12,894</u>	<u>–</u>	<u>(225)</u>	<u>223</u>	<u>–</u>	<u>(2)</u>

Deferred tax assets and liabilities are non-current.

22 Net investment income

	Group	
	2022	2021
	US\$'000	US\$'000
Interest income	11,315	14,606
Net (loss)/gain on sale of investments	(249)	18,954
Net gain on disposal of available-for sale financial assets reclassified from equity	2,676	2,386
Net fair value (losses)/gains	(2,448)	38,205
Investment expenses	(1,628)	(2,489)
Dividend income from investments	12,233	13,394
Rental of properties received from third parties, net of expenses	835	1,426
	<u>22,734</u>	<u>86,482</u>

23 Other operating income

	Group	
	2022	2021
	US\$'000	US\$'000
Net foreign exchange gain	3,933	1,255
Other operating income	70	13
Job support scheme grant income	–	107
	<u>4,003</u>	<u>1,375</u>

24 Income tax (expense)/credit

	Group	
	2022	2021
	US\$'000	US\$'000
<i>Recognised in profit or loss</i>		
Current tax expense		
Current year	5,232	2,389
Under provision in prior year	1,176	572
	<u>6,408</u>	<u>2,961</u>
Deferred tax credit		
Movements in temporary differences	328	11,967
(Over)/Under provision in prior year	(32)	927
	<u>296</u>	<u>12,894</u>
Total tax credit	<u>6,704</u>	<u>15,855</u>

Recognised in other comprehensive income

For the year ended 31 December

	----- 2022 -----			----- 2021 -----		
	Before tax US\$'000	Tax expense US\$'000	Net of tax US\$'000	Before tax US\$'000	Tax credit US\$'000	Net of tax US\$'000
Available-for-sale financial assets	(20,747)	47	(20,700)	(14,378)	184	(14,194)
Others	(1,032)	(8)	(1,040)	28	(7)	21
	<u>(21,779)</u>	<u>39</u>	<u>(21,740)</u>	<u>(14,257)</u>	<u>184</u>	<u>(14,173)</u>

	Group	
	2022 US\$'000	2021 US\$'000
<i>Reconciliation of effective tax rate</i>		
Profit before tax	<u>29,017</u>	<u>83,924</u>
Tax calculated using Singapore tax rate of 17% (2021: 17%)	4,933	14,267
Effects of:		
- Income not subject to tax	—	(60)
- Effects of tax rates in foreign jurisdiction	—	66
- Non-deductible expenses	100	83
- Under provision in prior year	1,144	1,499
- Tax effect of unrecognised tax losses	527	—
	<u>6,704</u>	<u>15,855</u>

25 Profit for the year

The following items in net operating expenses have been included in arriving at profit for the year:

	Note	Group 2022 US\$'000	2021 US\$'000
Personnel expenses			
- Staff costs		8,961	11,147
- Contributions to a defined contribution plan		566	734
Depreciation of property and equipment	6	1,980	2,199
(Gain)/Loss on disposal of property and equipment		–	(348)
Allowance for impairment loss of insurance receivables	12	198	189
Reversal of allowance for impairment loss of insurance receivables	12	(220)	(210)
Bad debt written off		–	23
Audit fees		490	482
Lease expenses		287	604
Ceding fee		–	(101)

26 Leases

Leases as lessee (FRS 116)

The Group leases which typically run for a period of one to four years, with an option to renew the lease after the date.

The office leases were entered into many years ago. Previously, these leases were classified as operating leases under FRS 17.

The Group leases various assets with contract terms of one to four years. There leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment (see note 6).

Group

	Land and buildings US\$'000	Motor vehicle US\$'000	Office equipment US\$'000	Total US\$'000
Balance at 1 January 2021	2,047	–	39	2,086
Additions to right-of-use assets	3,861	–	–	3,861
Disposal to right-of-use assets	(428)	–	–	(428)
Depreciation charge for the year	(1,647)	–	(13)	(1,660)
Foreign exchange translation	40	–	2	42
Balance at 31 December 2021	<u>3,873</u>	<u>–</u>	<u>28</u>	<u>3,901</u>
Balance at 1 January 2022	3,873	–	28	3,901
Additions to right-of-use assets	89	–	–	89
Disposal to right-of-use assets	–	–	–	–
Depreciation charge for the year	(1,344)	–	(7)	(1,351)
Foreign exchange translation	(9)	–	–	(9)
Balance at 31 December 2022	<u>2,609</u>	<u>–</u>	<u>21</u>	<u>2,630</u>

Company

Balance at 1 January 2021	2,047	–	25	2,072
Additions to right-of-use assets	3,861	–	–	3,861
Disposal to right-of-use assets	(428)	–	–	(428)
Depreciation charge for the year	(1,647)	–	(8)	(1,655)
Foreign exchange translation	40	–	2	42
Balance at 31 December 2021	<u>3,873</u>	<u>–</u>	<u>19</u>	<u>3,892</u>
Balance at 1 January 2022	3,873	–	19	3,892
Additions to right-of-use assets	89	–	–	89
Disposal to right-of-use assets	–	–	–	–
Depreciation charge for the year	(1,344)	–	(2)	(1,346)
Foreign exchange translation	(9)	–	–	(9)
Balance at 31 December 2022	<u>2,609</u>	<u>–</u>	<u>17</u>	<u>2,626</u>

Amounts recognised in profit or loss

	Group	
	2022	2021
	US\$'000	US\$'000
Lease under FRS 116		
Expenses relating to short-term leases	287	604

Extension options

Some property leases contain extension options exercisable by the Group up to two years before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Group leases out its investment properties consisting of its owned commercial properties as well as leased property (see note 9). All leases are classified as operating leases.

Operating lease

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 9 sets out information about the operating leases of investment properties.

Rental income, net of expenses from investment property recognised by the Group during 2022 was US\$ 0.8 million (2021: US\$1.4 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group	
	2022	2021
	US\$'000	US\$'000
Operating leases under FRS116		
Less than one year	1,297	1,387
One to three years	1,205	2,502
Total	<u>2,502</u>	<u>3,889</u>

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	Lease liabilities US\$'000
Balance at 1 January 2021	2,086
Changes from financing cash flows	
Addition	3,861
Payment of lease liabilities	(1,618)
Other changes	
Disposal	(428)
Balance at 31 December 2021	<u>3,901</u>
Changes from financing cash flows	
Addition	89
Payment of lease liabilities	(1,360)
Other changes	
Disposal	—
Balance at 31 December 2022	<u><u>2,630</u></u>

27 Significant related party transactions

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, the transactions with the Group's related parties are as follows:

	2022 US\$'000	2021 US\$'000
Group		
Ultimate holding company (Catalina Holdings (Bermuda) Ltd.)		
- Management fees charged by the holding company	1,025	1,908
- Expenses recharged to the holding company	917	713
	<u>1,942</u>	<u>2,621</u>
Company		
Ultimate holding company (Catalina Holdings (Bermuda) Ltd.)		
- Management fees charged by the holding company	1,025	1,908
- Expenses recharged to the holding company	917	713
	<u>1,942</u>	<u>2,621</u>
Subsidiary company		
- Premiums received/receivable	125	1,193
- Commission paid/payable	(59)	(316)
- Claims paid/payable	(2,573)	(10,085)
- Management fee charged to subsidiary company	482	141
	<u>1,075</u>	<u>1,033</u>

28 Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers.

Key management personnel compensation comprised:

	Group	
	2022	2021
	US\$'000	US\$'000
Short term employment benefits	3,859	4,584
Post-employment benefits	140	222
Termination benefits	344	–
	4,343	4,806

29 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group in future financial periods, the Group is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts (Amendments to FRS 104)*

The amendments introduce two approaches for entities that apply FRS 104 to reduce the impact of differing effective dates with FRS 117 *Insurance Contracts* and FRS 109 *Financial Instruments*: an overlay approach and a temporary exemption from applying FRS 109.

The amended FRS 104:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contracts standard is issued (the “Overlay Approach”); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 till the earlier of annual reporting periods beginning before 1 January 2023 or when FRS 117 becomes effective. The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

- a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and
- b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies FRS 109.

An insurer that elects to apply the temporary exemption from FRS 109 shall disclose information to enable users of financial statements:

- a) to understand how the insurer qualified for the temporary exemption; and
- b) to compare insurers applying the temporary exemption with entities applying FRS 109.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2023 and will expire once FRS 117 becomes effective.

Potential impact on the financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Group's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under FRS 109 is adopted.

The Group has decided that it will elect the temporary exemption in the amendments to FRS 104 from applying FRS 109 till 1 January 2023. The Group will be able to perform a comprehensive assessment of the impact of both standards, taking into considerations the options available for the implementation of both standards together. The Group assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is above 90% of its total liabilities as at 31 December 2015. There were no changes in the Group's activities after this date, hence no reassessment was required at subsequent reporting year-ends.

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from FRS 109 for annual periods before 1 January 2023. Consequently, the Group will apply FRS 109 for the first time on 1 January 2023.

(i) Financial assets – Classification

The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 includes three principal measurement categories for financial assets – measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”) – and eliminates the previous FRS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale (“AFS”) financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, at initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, at initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (“OCI”). The election is made on an instrument-by-instrument basis.

Under FRS 109, derivatives embedded in contracts where the host is a financial asset in scope of FRS 109 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impact assessment

FRS 109 will affect the classification and measurement of financial assets held as at 1 January 2023 as follows:

For the Group's and the Company's AFS debt securities amounting to approximately US\$146 million and US\$131 million respectively, based on the business model, the Group intends to hold the debt securities to collect contractual cash flow and sell, and accordingly measure them at FVOCI when it applies FRS 109. The Group intends to make an election to measure the Group's and the Company's AFS debt securities amounting to US\$119 million and US\$104 million respectively at FVTPL as doing so eliminates or significantly reduces accounting mismatches. Currently, the Group's and the Company's AFS debt securities where cash flows do not represent solely payments of principal and interest amounting to approximately US\$27 million will also be reclassified to FVTPL.

- For equity securities, the Group intends to continue to measure the Group's and the Company's FVTPL equity securities amounting to approximately US\$287 million at FVTPL. The Group intends to measure the Group's and the Company's currently AFS bond funds amounting to approximately US\$113 million at FVTPL.
- Loans and receivables measured at amortised cost under FRS 39 will generally also be measured at amortised cost under FRS 109.

As majority of the Group's financial assets are measured at fair value both before and after transition to FRS 109, the new classification requirements are not expected to have a material impact on the Group's total equity as at 1 January 2022 or 2023.

(ii) Financial assets – Impairment

FRS 109 replaces the 'incurred loss' model in FRS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Group's financial assets measured at amortised cost and at FVOCI. FRS 109 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. The expected credit loss is not expected to be significant.

(iii) Hedge accounting

The Group applies hedge accounting on hedges of net investments in foreign operations and does not expect any significant impact to arise from the adoption of FRS109.

(iv) Financial liabilities

FRS 109 largely retains the requirements in FRS 39 for the classification and measurement of financial liabilities. Therefore, the Group expects an immaterial impact from adopting FRS109 for financial liabilities.

(v) Transition

The following assessments have to be made on the basis of the facts and circumstances that exist as at 1 January 2023:

- The determination of the business model within which a financial asset is held;
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL

If a financial asset has low credit risk as at 1 January 2023, the Group plans to assume that the credit risk on the asset has not increased significantly since its initial recognition.

The fair value information of the Group's directly held financial assets at 31 December 2022 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 are shown in the table below, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109		All other financial assets	
	Fair value at 31 December 2022 US\$'000	Movement in the fair value during the year US\$'000	Fair value at 31 December 2022 US\$'000	Movement in the fair value during the year US\$'000
Investments	118,964	—	429,618	—
Other receivables	4,890	—	—	—
Cash and cash equivalents	72,305	—	—	—
Total financial assets	196,159	—	429,618	—

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109		All other financial assets	
	Fair value at 31 December 2021 US\$'000	Movement in the fair value during the year US\$'000	Fair value at 31 December 2021 US\$'000	Movement in the fair value during the year US\$'000
Investments	236,229	–	490,222	–
Other receivables	14,440	–	–	–
Cash and cash equivalents	83,125	–	–	–
Total financial assets	333,794	–	490,222	–

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 in the table above are classified as amortised cost under FRS 39. The credit ratings of these financial assets, analysed on the same basis of those disclosed in note 5, are as follows:

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA US\$'000	AA+ to AA- US\$'000	A+ to A- US\$'000	BBB+ to BBB- US\$'000	Below BBB- or not rated US\$'000	Total US\$'000
2022						
Investments	2,330	25,683	35,941	55,010	–	118,964
Other receivables	–	–	–	–	4,890	4,890
Cash and cash equivalents	–	2,912	55,248	14,145	–	72,305
	2,330	28,595	91,189	69,155	4,890	196,159
2021						
Investments	3,799	40,819	78,832	112,778	–	236,229
Other receivables	–	–	–	–	14,440	14,440
Cash and cash equivalents	–	192	76,565	6,368	–	83,125
	3,799	41,011	155,397	119,146	14,440	333,794

FRS 117 Insurance Contracts

FRS 117 replaces FRS 104 *Insurance Contracts* and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

i. Identifying contracts in the scope of FRS 117

FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of reinsurance contracts issued and reinsurance contracts held.

When identifying contracts in the scope of FRS 117, in some cases the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements.

ii. Level of aggregation

Under FRS 117, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts or contracts' sections in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

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

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of FRS 117 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a contractual service margin ("CSM"), against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under FRS 104 (i.e. portfolio of contracts level), the level of aggregation under FRS 117 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

iii. Contract boundaries

Under FRS 117, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group.

Compared with the current accounting standard, the Group expects that for certain contracts, the FRS 117 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts.

The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in FRS 117.

Reinsurance contracts issued

For reinsurance contracts issued, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

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

Reinsurance contracts held

For reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

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

iv. Measurement - Overview

FRS 117 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. For an explanation of how the Group will apply the measurement model, see (v).

All reinsurance contracts issued and reinsurance contracts held are expected to be classified as contracts without direct participation features.

v. *Measurement - Non-life contracts*

On initial recognition of each group of Non-life reinsurance contracts issued, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Group will elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Group expects that the time between providing each part of the services and the related premium due date is more than a year. Accordingly, the Group will adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

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

The Group will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates).

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

vi. *Measurement - Significant judgements and estimates*

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Group will generally allocate insurance acquisition cash flows and maintenance costs to groups of contracts based on the total premiums for each group.

Discount rates

The Group adopts the bottom-up approach for the discount rates. The Group will generally determine risk-free discount rates ("spot rates") of varying durations for major currencies obtained from Bloomberg every quarter. The Group uses local currency risk free rates for the top 18 currencies by reserve size. For the other currencies, their risk free rates will be based on a proxy, such as USD. Based on IFSR17 requirement, the spot rates need to be converted to forward rates to match the cashflows at various future time points.

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. They will be allocated to groups of contracts based on an analysis of the risk profiles of the groups. The risk adjustments for non-financial risk will be determined using 75 percent confidence level.

CSM

CSM is a component of the measurement of the insurance contract representing the unearned profit that the Group recognized as it provides services. The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

At initial recognition, the Group performed profitability test for each contract based on the budget loss ratio, acquisition cost ratio, and expense ratio. For onerous contracts, the expected loss is recognized at the initial recognition. For non-onerous contracts, the Group will determine the quantity of benefits provided under each contracts based on the gross written premium of the contracts for reinsurance contracts issued and the same basis as the underlying contracts for reinsurance contracts held. The CSM is based on estimated profitability ratio and the gross written premium.

vii. Presentation and disclosure

FRS 117 will significantly change how reinsurance contracts issued and reinsurance contracts held are presented and disclosed in the Group's financial statements.

Under FRS 117, portfolios of reinsurance contracts issued that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under FRS 117, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

- (a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- (b) insurance finance income or expenses. Amounts from reinsurance contracts held will be presented separately.

The separate presentation of underwriting and financial results under FRS 117 and FRS 109 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liability for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. The requirements in FRS 117 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with the Group's current practice of recognising revenue when the related premiums are written.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Investment components – defined as amounts that an insurance contract requires the entity to repay to a policyholder even if an insured event does not occur – will not be included in insurance revenue and insurance service expenses under FRS 117. As a result, the Group expects a reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Group will identify the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. The Group has assessed that variable commissions meet the requirement for non-distinct investment component and hence have to be excluded from the recognition of insurance revenue and expenses, including profit commission, sliding scale commission, no claim bonus, low claim bonus, and loss participation clause.

Amounts recovered from reinsurers and reinsurance expenses will no longer be presented separately in profit or loss, because the Group will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service result, but information about these will be included in the disclosures.

The Group will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognised in profit or loss will be included in the insurance service result.

Insurance finance income and expenses

Under FRS 117, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

The Group will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

Disclosure

FRS 117 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying FRS 117. There will also be expanded disclosures about the nature and extent of risks from reinsurance contracts issued and reinsurance contracts held. Disclosures will generally be made at a more granular level than under FRS 104, providing more transparent information for assessing the effects of contracts on the financial statements.

viii. Transition

Changes in accounting policies resulting from the adoption of FRS 117 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Group will:

- identify, recognise and measure each group of reinsurance contracts issued and reinsurance contracts held as if FRS 117 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if FRS 117 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if FRS 117 had always been applied (including some deferred acquisition costs); and
- recognise any resulting net difference in equity.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Group will choose between the modified retrospective approach and the fair value approach. However, if the Group cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

The consequential amendments to FRS 103 introduced by FRS 117 require the Group to classify contracts acquired as insurance contracts based on the contractual terms and other factors at the date of acquisition. This requirement will not be applied to business combinations before 1 January 2023, for which the Group classified contracts acquired as insurance contracts based on the conditions at contract inception.

Fair value approach

Under the fair value approach, the CSM (or the loss component) at 1 January 2022 will be determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. The Group will measure the fair value of the contracts as the sum of (a) the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin, determined using a confidence level technique.

The cash flows considered in the fair value measurement will be consistent with those that are within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts will not be considered in determining the fair value of those contracts if they are outside the contract boundary. The present value of the future cash flows considered in measuring fair value will be broadly consistent with that determined in measuring the fulfilment cash flows.

For all contracts measured under the fair value approach, the Group will use reasonable and supportable information to determine:

- pricing loss ratio
- expense ratio
- contract boundary

Management has completed its assessment of various accounting position papers and is currently in the midst of completing its assessment of the financial impact to the Group.

30 Subsequent events

- a) On 27 January 2023, the Korea branch was formally deregistered with approval by Korea authority.
- b) Subsequent to year end, the Company underwent a capital reduction in January 2023 totalling 50,000,000 shares at US\$1 each amounting to US\$ 50,000,000.
- c) In March 2023, the global banking sector was hit by rising concerns about the stability of the banking system in various developed markets. While the underlying factors with regards to these instabilities may vary, the market has been on high alert for elevated risks. As the situation is still fluid, Management is still assessing the situation to determine the impact on the liquidity of the Company. However, management do not expect the impact to be material.