

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

**Financial statements for the year
ended 31 December 2022**

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2022.

Principal activities

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of these activities during the financial year.

Results

	RM'000
Profit for the year	<u>43,865</u>

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year under review.

Dividend

Since the end of the previous financial year, the Company has paid a final ordinary dividend of approximately 41.02 sen per ordinary share which is 30% of net profit after tax totalling RM20,918,411 in respect of the year ended 31 December 2021 on 31 May 2022.

The final dividend for the financial year ended 31 December 2022 shall be recommended at a later date.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Mr. Toi See Jong
Mr. Low Shih Nin
Y. Bhg. Dato' Muthanna Abdullah
En. Ahmad Subri bin Abdullah
Y. Bhg. Dato Koh Yaw Hui
Ms. Tan Lye Sim
Datuk Kamaruddin Taib (Appointed on 20 February 2023)
Mr. Lau Yew Kong (Resigned on 11 February 2023)

None of the Directors holding office at 31 December 2022 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Company No. 199701002371 (417867-K)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	RM'000
Directors of the Company:	
Fees	896
Others	148
	<u>1,044</u>

There were no arrangements during and at the end of the financial year which had the object of enabling 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.

The Directors and Senior Management of the Company are covered under the Company's Directors and Officers Liability Insurance. The particulars of the insurance effected are as follows:

	Premium Paid RM'000	Sum Insured RM'000
Directors and Officers Liability Insurance	<u>24</u>	<u>5,000</u>

Corporate governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under the Corporate Governance policy document ("CG PD") issued by Bank Negara Malaysia ("BNM") on 3 August 2016.

Corporate governance (continued)

Board, Audit, Risk Management, Nomination & Remuneration and Investment Committees

i. Membership and meetings of the Board Committees

Director	Board	Audit	Risk Management	Nomination & Remuneration	Investment
	<----- (Attendance / Number of Meetings) ----->				
Mr. Lau Yew Kong (Independent Non-Executive Director) (Resigned on 11 February 2023)	Chairman 9/9	Member 4/4	Member 4/4	Member 7/7	Member 1/2
Mr. Toi See Jong (Non-Independent Non-Executive Director)	Member 8/9	Member 4/4	Member 4/4	-	Chairman 2/2
Y. Bhg. Dato Koh Yaw Hui (Non-Independent Non-Executive Director)	Member 9/9	-	-	Member 7/7	-
Mr. Low Shih Nin (Non-Independent Non-Executive Director)	Member 9/9	Member 4/4	Member 4/4	Member 7/7	-
Y. Bhg. Dato' Muthanna Abdullah (Independent Non-Executive Director)	Member 8/9	Member 3/4	Member 3/4	Chairman 6/7	-
En. Ahmad Subri bin Abdullah (Independent Non-Executive Director)	Member 9/9	Chairman 4/4	-	-	Member 2/2
Ms. Tan Lye Sim (Independent Non-Executive Director)	Member 9/9	Member 4/4	Chairman 4/4	Member 7/7	-

Corporate governance (continued)

Board, Audit, Risk Management, Nomination & Remuneration and Investment Committees (continued)

i. Membership and meetings of the Board Committees (continued)

The tenure limit of the Company's Independent Directors follows the tenure limits as provided by the CG PD which expects tenure limits of Independent Directors to generally not exceed 9 years.

ii. Profile of Directors

The following are the profiles of the Directors of the Company:

MR. LAU YEW KONG INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lau Yew Kong was appointed to the Board of the Company on 20 March 2014 and was the Chairman of the Board prior to his resignation on 11 February 2023.

Mr. Lau is a qualified chartered accountant with more than 30 years of experience in the investment and stockbroking industry where he had held various senior positions such as Senior Director of Equities at Kenanga Investment Bank Berhad (KIBB), Chief Executive Officer at CIMB Futures, Chief Executive Officer at Southern Bank Securities and Chief Executive Officer and Chief Investment Officer at Pheim Asset Management Sdn. Bhd. Mr. Lau retired from full-time employment in March 2017.

Mr. Lau has taught Accounting and Finance on a part-time basis at the post graduate level at INCEIF for several years. Mr. Lau currently spends his time travelling to Australia as a sessional lecturer at Latrobe Business School, La Trobe University, Melbourne, Australia.

Mr. Lau holds a Bachelor of Commerce (Hons.) degree and an MBA degree from Australia. He is also a Fellow of The Institute of Chartered Accountants in Australia. He was conferred a PhD degree in Finance from La Trobe University in 2019.

Corporate governance (continued)

ii. Profile of Directors (continued)

MR. TOI SEE JONG **NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Toi See Jong was appointed to the Board of the Company on 4 September 2013.

Mr. Toi is a business leader with more than 28 years of insurance industry and consultancy experience in leading and managing organizations in various stages of its developments and in many different countries.

He is currently Chief Executive Officer of Tokio Marine Life, where he was appointed in September 2011. He was previously elected as the Regional Director of Prudential Corporation Asia in April 2010 where he was responsible for acquiring new Prudential partnerships as well as managing and developing regional bank partnerships in Asia.

During his tenure as the Chief Executive Officer in UOB Life beginning in July 2008, Mr. Toi successfully formulated a 3-year strategic business plan to develop its bancassurance opportunity with UOB bank. Prior to that, he was a Life Division General Manager of NTUC Income in April 2007, the Country General Manager of Heng An Standard Life in November 2003 and the Chief Executive Officer of Mayban Life in October 1994.

Mr. Toi is a Fellow of the Faculty of Actuaries, Scotland since 1992 and sits on the Board of The Malaysian Insurance Institute (MII), L.I.A.M. Property Sdn. Bhd., L.I.A.M. Holding Sdn. Bhd. and Malaysian Rating Corporation Berhad (MARC).

MR. LOW SHIH NIN **NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mr. Low Shih Nin was appointed to the Board of the Company on 8 January 2016.

He is currently Senior Vice President, Managing Director – Southeast Asia Markets, Reinsurance Group of America (RGA) Reinsurance Company and leads RGA's strategic growth and development throughout RGA's Southeast Asia region, which encompasses Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam, and Taiwan.

Mr. Low has more than 25 years in the life insurance industry and brings significant depth of knowledge and leadership experience. Before joining RGA in 2011, he worked for Nan Shan Life in Taiwan where he held several leadership positions in actuarial, operations, marketing and distribution functions. Prior to joining Nan Shan, he served in actuarial and management roles for AIA Group Limited, both in Malaysia and in the Hong Kong home office.

Mr. Low received his Bachelor of Economics degree with a major in Actuarial Studies from Macquarie University, Sydney, Australia. He is a Fellow of the Society of Actuaries (FSA), a Fellow of the Actuarial Institute of the Republic of China (FAIRC), and a Member of the American Academy of Actuaries (MAAA).

Corporate governance (continued)

ii. Profile of Directors (continued)

Y. BHG. DATO' MUTHANNA ABDULLAH INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Muthanna Abdullah was appointed to the Board of the Company on 18 July 2016 and is currently the Chairman of the Nomination & Remuneration Committee.

Dato' Muthanna is a Consultant of Abdullah Chan & Co. He led the Aviation and Aerospace practice and has acted for numerous clients on their acquisition, financing and operation of corporate/private jets and helicopters. He also advises clients on private and family ownership structures which are tailored to each client's particular usage, tax profile and risk management. He has more than 30 years of experience in law practice, having advised commercial companies, public listed companies and state governments and agencies, privatizations, joint-ventures, corporate structures, offshore investments, and mergers and acquisitions.

Dato' Muthanna graduated from the University of Buckingham, England, and is a Barrister of the Middle Temple, England. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1984.

Dato' Muthanna is the Honorary Consul at Kuala Lumpur of the Republic of San Marino. Dato' Muthanna sits on the Board of Directors of MSIG Insurance (Malaysia) Berhad, Digital Nasional Berhad, MSM Malaysia Holdings Berhad, IHH Healthcare Berhad, Sapura Resources Bhd and several private companies. He is also member of the Board of Trustees of Yayasan Siti Sapura and The Habitat Foundation.

EN. AHMAD SUBRI ABDULLAH INDEPENDENT NON-EXECUTIVE DIRECTOR

En. Ahmad Subri bin Abdullah was appointed to the Board of the Company on 10 November 2017 and is currently the Chairman of the Audit Committee.

En. Subri brings with him over 30 years of experience in the financial services industry, almost 20 years as Chief Executive Officer of various insurance companies such as Amanah Insurance Berhad, Malaysia Cooperative Insurance Society Berhad, Mayban Life Assurance Berhad and Malaysia National Insurance Berhad. He had also served as Chairman of the General Insurance Association of Malaysia and Chairman of the Insurance Mediation Bureau of Malaysia.

En. Subri qualified as a Fellow of the Chartered Insurance Institute, United Kingdom and is a Fellow of the Malaysian Insurance Institute. Prior to his return to Malaysia in 1980, he was trained and worked in London for more than 7 years. Currently, En. Subri sits on the Board of a number of private and public companies in Malaysia and Singapore.

Corporate governance (continued)

ii. Profile of Directors (continued)

Y. BHG. DATO KOH YAW HUI NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato Koh Yaw Hui was appointed to the Board of the Company on 1 January 2020.

He is the Chief Executive Officer in Great Eastern Life Assurance (Malaysia) Berhad since January 2008. He has over 15 years of insurance experience and is responsible for the overall strategic direction and business growth of the company.

Dato Koh presently sits on the Boards of several companies including L.I.A.M Holding Sdn. Bhd. and L.I.A.M Property Sdn. Bhd.

Dato Koh holds a Bachelor of Social Science (Hons) in Economics from Universiti Sains Malaysia. He is a Fellow of the Life Management Institute, USA and a Registered Financial Planner.

MS. TAN LYE SIM INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Tan Lye Sim was appointed to the Board of the Company on 1 April 2021 and is currently the Chairman of the Risk Management Committee.

She is an accomplished risk practitioner with more than 30 years of experience in financial institutions, securities houses, merchant and commercial banks as well as finance companies.

Ms. Tan held various senior positions in financial institution from 2005 to 2013 including as Head of Treasury Compliance of RHB Bank Berhad, Group Chief Risk Officer of Alliance Financial Group, Group Chief Risk Officer of Hong Leong Bank, Director and Head of Operational Risk Management of CIMB Investment Bank. Her last position was as Group Chief Risk Officer at Kenanga Investment Bank Berhad from 2013 to 2017. During her time there, Ms. Tan developed overall risk management framework and policies for the respective banks. She also planned, led and implemented programs, processes and systems for effective group wide risk management.

In addition to the above, Ms. Tan is a director of GHL Systems Berhad since 2021. She was on the Board of Bank Pembangunan Malaysia Berhad from September 2018 to September 2020. She was the Chairman of Group Risk Management Committee.

Ms. Tan is a Fellow of the Association of Chartered Certified Accountants and currently does not hold any directorship in other companies.

Corporate governance (continued)

ii. Profile of Directors (continued)

DATUK KAMARUDDIN TAIB INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Kamaruddin Taib was appointed as Independent Non-Executive Director and Chairman of the Company on 20 February 2023.

Datuk Kamaruddin holds a Bachelor of Science Degree in Mathematics from the University of Salford, United Kingdom.

Datuk Kamaruddin has significant experience in investment banking, corporate finance, mergers, and acquisitions. His career started in 1980 with a leading Investment Bank in Malaysia. Subsequently, he served as a director of several private companies and companies listed on Bursa Malaysia. He has personal experience in listing several companies on Bursa Malaysia. Apart from his vast experience of serving on the board of companies listed on Bursa Malaysia, his experience included serving on the board of companies listed on the Stock Exchange of India as well as listed on Nasdaq.

Datuk Kamaruddin is currently an Independent Non-Executive Director of HSBC Bank Malaysia Berhad and Great Eastern General Insurance (Malaysia) Berhad. He is also a Director of FIDE Forum, Fraser & Neave Holdings Berhad, Malaysia Smelting Corporation Berhad and RAM Holdings Berhad.

Corporate governance (continued)

iii. Responsibilities of the Board

The Board has the overall responsibility of promoting the sustainable growth and financial soundness of the Company, and ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Company and its clients, employees and the community. In fulfilling this role, the Board must:

- (i) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile. This would include initiatives which affect the financial soundness, reputation or key operational controls of the Company.
- (ii) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company.
- (iii) oversee the implementation of the financial institution's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations.
- (iv) promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior.
- (v) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies.
- (vi) oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.
- (vii) promote timely and effective communication between the financial institution and BNM on matters affecting or that may affect the safety and soundness of the Company.

iv. Responsibilities of the Board Committees

The duties and responsibilities of the Board Committees are as follows:

Audit Committee

- (i) To review and report on the adequacy of the scope, functions and resources of the internal audit function and whether it has the necessary authority to carry out its work.
- (ii) To review the results of the internal and external audits conducted and the adequacy of actions taken by management on the recommendations of these audit reports.

Corporate governance (continued)

iv. Responsibilities of the Board Committees (continued)

Audit Committee (continued)

- (iii) To review with the external auditors the audit plan, scope of the audit and the audit findings of the Company.
- (iv) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval.
- (v) To review the adequacy and effectiveness of internal control systems instituted within the Company.
- (vi) To review any related party transactions that may arise within the Company.
- (vii) To oversee the overall implementation of the Company's approved policies and procedures and review management's periodic review of them for continued effectiveness.
- (viii) To perform any other functions as may be agreed by the Audit Committee and the Board of Directors.

Risk Management Committee

- (i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- (iii) To oversee and ascertain that there are adequate infrastructure, resources and systems in place for an effective risk management and that the personnel responsible for implementing the Company's risk management systems perform those duties independently of the Company's risk taking activities.
- (iv) To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- (v) To review and assess the risk capital profiles to ensure adequacy of capital available in the insurance and shareholders' equity to support the total capital required as specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.
- (vi) To ensure that the investments of insurance funds are in accordance with the approved investment and risk management policy of the Board.
- (vii) To perform any other functions in relation to risk management as may be agreed by the Risk Management Committee and the Board of Directors.

Corporate governance (continued)

iv. Responsibilities of the Board Committees (continued)

Nomination and Remuneration Committee

- (i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.
- (ii) To recommend and assess the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment before an application for approval is submitted to Bank Negara Malaysia.
- (iii) To establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.
- (iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant, or negligent in discharging his responsibilities.
- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.
- (vi) To oversee appointment, management succession planning and performance evaluation of key Senior Officers and recommend to the Board on the removal of key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities.
- (vii) To recommend a framework of remuneration for Directors, Chief Executive Officer and key Senior Officers.
- (viii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key Senior Officers.

Investment Committee

- (i) To recommend and oversee implementation of policies, guidelines and controls for the investment activities of the Company.
- (ii) To monitor the performance of the Company's investments including the performance of external fund managers.
- (iii) To review and report to the Board on a regular basis the investment portfolio to ensure compliance with BNM's guidelines on investment.
- (iv) To review and recommend to the Board major investment proposals.

Corporate governance (continued)

v. Remuneration framework

Remuneration policy

The remuneration policy for employees of the Company enables the furtherance of the Company's vision and mission by aligning employee performances with the Company's short and long term goals. Employee remunerations are supported by a robust performance management system underpinned by the fundamentals of sound risk management, ethics, and corporate responsibility. Components within the remuneration structure consist of mandatory elements with the flexibility for combinations of fixed and variable components to ensure effective alignment to the Company's objectives and relevance to the industry in which it operates.

The Company's remuneration policy applies to all employees in the Company and revolves around key principles as follows: -

Business oriented

Remunerations are relevant and aligned to the achievement of the Company's business results. Remunerations are designed in a way that drives employees' diligence, dedication and competency level towards successful implementation of the Company's goals and strategies while avoiding any conflict of interests.

Prudent

The remuneration structure and quantum reinforce sustainable, ethical and sound risk management behaviors, as opposed to a short-term view without consideration of long term consequences.

Adequate information

Performance assessors must have adequate quantitative and qualitative measurements of an employee's performance before any recommendation on remuneration is made. The assessments upon which remunerations are recommended must be practicable, measurable and objective.

Fair

Remuneration packages must take the Company's business, its financial position, market condition and individual merits into consideration. There must be no discrimination, biased treatment or any form of exploitation in regards to the remuneration packages.

Transparent

There must be clear and timely communication of remuneration linked to the specified job requirements. Employees should be clear on the expectations of their job and seek clarification where necessary.

Corporate governance (continued)

v. Remuneration framework (continued)

Remuneration structure

The Company's remuneration structure rewards employees whose job performance and behavior support the objectives of the Company's business. A performance appraisal system is in place to gauge these performances and behaviors. The system incorporates key performance indicators aligned to the employee's job function. Instances of non-compliance with risk procedures and expected behaviors would be taken into account when appraising an employee's performance. If performance criterias are not met, salary increments and/or variable remuneration will be reduced accordingly.

The remuneration package is based on the job scope and the responsibility of each employee.

The Company's existing remuneration structure comprises salary (fixed), benefits (fixed), performance bonus (variable) and incentives (variable).

Salary

All employees in the Company receive a fixed base salary paid monthly according to position and function. The salary level is evaluated annually with no secured or contractual increment. Increment rates are granted based on performance scoring and position levels. These rates are determined by the Board of Directors taking into consideration the Company's performance, market and industry conditions.

Base salaries for entry level candidates are predetermined and reviewed as and when necessary to remain competitive. Base salaries for experienced candidates are guided by the Company's internal salary scale whilst taking into account the industry's employment market condition.

Acting Allowance

An employee on acting appointment is to be paid an allowance equivalent to the amount received by the employee if promoted to the higher level.

Special Allowance

Where a special allowance is attached to an appointment, this allowance shall be payable to the employee who holds the post while he/she is actually performing the duties of that post.

Benefits

The main purpose of compensation and benefits is to ease employees' burdens as they work for the Company. Key and senior level positions are offered benefits and compensations in order to mitigate key man risks and encourage employee retention. The Company's benefits programme is reviewed as and when the need arises.

Corporate governance (continued)

v. Remuneration framework (continued)

Performance Bonus

The Company uses variable cash remuneration in the form of performance bonuses to incentivise and reward high performance employees. The quantum of bonuses granted for the year depend on the performance of the Company's financial and non-financial targets and the employee's performance appraisal.

The bonus pool is determined by the Company's performance goals weightage criteria set in accordance with the Company's Performance Management Framework. The control function employees shall be awarded based on the result of their individual appraisal. Their role and responsibilities are to ensure they perform as required by the regulators and that they are not directly involved in the daily business operations so as to maintain their independence and do not put themselves in a position of conflict of interest. Performance bonuses are payable at the discretion of the Company.

Incentives

The Company has in place deferred variable cash incentives awarded to key and senior level positions. The incentives serve to reduce key man risk, encourage employee retention and align employee actions to the Company's objectives. The quantum of these incentives depend on the performance of the Company's financial and non-financial targets and the meeting of employees' key performance objectives.

The plan will be awarded annually but only paid at the end of the 3rd year after the performance year. The deferred variable cash incentives are payable at the discretion of the Company.

Buyout

Where there is a need of a specific skill or urgency that requires replacement of a leaving employee, the Company may pay the other company on behalf of the employee his/her notice period so that the employee is able to join at the earliest.

Senior management and other material risk takers

Senior management, as defined by BNM in their CG PD refers to the CEO and senior officers. It comprises employees in the following roles:

- i) Chief Executive Officer (1)
- ii) Heads of Departments (11)

Corporate governance (continued)

v. Remuneration framework (continued)

Senior management and other material risk takers (continued)

Other material risk takers are defined as employees who are not members of the senior management and:

- i) can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile; or
- ii) are among the most highly remunerated officers in the Company.

There were 4 other material risk takers in the Company as at the date of this report.

Total Value of Remuneration Awards for the financial year	Unrestricted	Deferred		No. of Staff
		Total*	Outstanding**	
Fixed Remuneration				
- Cash-based	4,640,782	Nil	Nil	16
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	Nil
Variable Remuneration				
- Cash-based	1,391,231	1,538,731	1,150,275	16
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	Nil

* Total Deferred Remuneration refers to the total deferred remuneration paid during the financial year.

** Outstanding Deferred Remuneration refers to the amount already vested and payable on the payment due.

Staff were not exposed to actual derived information of Implicit Adjustments (such as fluctuations in the value of any shares or performance units) and Explicit Adjustments (such as malus, clawbacks or similar reversals or downward revaluations of awards) due to Deferred and Retained Remuneration in the current financial year.

Malus / Clawback

Variable remuneration may be subject to a downgrade adjustment to reflect exposure to current and future risks after taking into account the relevant risk profile.

In addition, the Company also reserves the right to demand full or partial repayment of variable remuneration granted, from the employee, in the event of special unfavourable circumstance, e.g. willful misconduct or gross negligent.

Corporate governance (continued)

vi. Internal Control Framework

The Compliance and Risk (“CR”) Department is established with the responsibility to manage the Company’s Risk and Compliance functions.

The CR Department identifies and communicates to the Risk Management Committee (“RMC”) critical risks in terms of exposures and impact on the Company’s business and management action plans to manage these risks on an on-going basis. Risks are actively identified, assessed and monitored by the CR Department. Heads of departments, who are specialised and experienced in their respective business areas remain available to provide advice to the CR Department on key risks relevant to their respective operations.

The CR Department ensures that the Company complies with all legal and regulatory requirements applicable to the Company’s business activities. The Heads of departments hold the primary responsibility to manage risks in their respective business areas.

A Compliance framework is in place to facilitate the reporting and monitoring of non-compliance events in the Company. A risk framework is also in place which facilitates the management and monitoring of the Company’s risks including an Internal Capital Adequacy Assessment Process (“ICAAP”) framework which complies with guidelines issued by BNM. The frameworks are reviewed annually.

The Internal Audit (“IA”) reviews the Company’s compliance programme as well as the effectiveness of the internal control systems. The findings of internal audit are tabled at the Audit Committee (“AC”) meetings for deliberation and the AC’s expectation on the corrective measures are communicated to the respective Heads of departments. The annual Internal Audit Plan is reviewed by the AC and thereafter recommended to the Board for approval.

Other key elements of the internal control framework

Updates of regulatory guidelines and circulars are circulated to the Chief Executive Officer and Heads of departments for information and to address any gap in operational policies and procedures.

Policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the form of operation manuals and circulars. The manuals are updated as and when necessary.

Operational authority limits as prescribed in the Company’s policies and procedures are imposed on Management in respect of key operations covering areas such as pricing, underwriting, claims, premium checking, investments, expenses, payments, acquisition and disposal of assets.

Retrocessions where appropriate are undertaken to ensure that the Company’s claim risks are sufficiently diversified and mitigated.

Corporate governance (continued)

vi. Internal Control Framework (continued)

Other key elements of the internal control framework (continued)

Management submits annually a business plan and budget for approval by the Board. The Board reviews quarterly management accounts, which are measured against budgets and the previous year's results to gauge performance.

Risk management reports that highlight the status of identified core risk profiles and any other risk matters are submitted to the RMC and the Board quarterly.

Stress tests are performed on the Company's financial position which commensurate with its risk profile and the business environment. The stress test, under the Financial Condition Report ("FCR"), is used as a risk management tool to identify potential threats to the Company's financial health from exceptional but plausible adverse events and to determine as well as assess its impact on the Company's Individual Target Capital Level. The FCR is deliberated at the Board for approval before submission to BNM.

A Data Management and Management Information System ("MIS") Framework is formulated in line with the Guidelines on Data Management and MIS Framework issued by BNM. Maintenance of data is performed and reviewed by Heads of departments.

The Investment Committee is responsible for formulating policies, strategies as well as reviewing matters relating to the Company's investment of surplus funds.

The Business Continuity Plan ("BCP") is managed by the CR Department. The BCP is to ensure that the Company suffers minimum interruption to its systems, processes or operations in the event of a disaster. The BCP manual is reviewed at least once a year while the plan is tested twice a year to ensure its relevance. BCP testings are observed by the IA who provides an independent evaluation of the testing preparation and to highlight any deficiencies noted during the testings. A written assessment report is prepared by the IA for the Audit Committee's review and the Board's approval before submission to BNM as required under the Guidelines on Business Continuity Management (Revised).

Training and development programmes are conducted to enhance staff competencies and to instill among the team a risk management and compliance conscious culture.

There are procedures for hiring and termination of staff. Annual performance appraisals are in place to assess performance and as a basis for staff remuneration awards and career development within the Company.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year.

There was no debenture issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers,
- ii) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- iii) any current assets which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount of the provision for insurance liabilities inadequate to any substantial extent, or
- ii) that would render it necessary to write off any bad debts or provide for any doubtful debts, or
- iii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iv) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- v) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

Other statutory information (continued)

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, except as disclosed in the financial statements, the financial performance of the Company for the financial year ended 31 December 2022 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia, which holds 70% of the Company's share capital. Its principal activity is that of investment holding.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Company during the year is RM377,000.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Ahmad Subri bin Abdullah
Director

.....
Toi See Jong
Director

Kuala Lumpur,

Date: 16 March 2023

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Plant and equipment	4	730	1,002
Intangible assets	5	3,575	3,846
Right-of-use assets	6	885	190
Investments	7	722,924	636,306
- Held-to-maturity investments		21,498	22,002
- Available-for-sale investments		701,426	614,304
Deferred tax assets	8	163	1,620
Reinsurance assets	9	323,405	246,333
Insurance receivables	10	516,751	406,459
Loans and receivables, excluding insurance receivables	11	1,644	45,920
Current tax assets		6,165	5,374
Cash and cash equivalents	12	35,359	192
Total assets		1,611,601	1,347,242
Equity and liabilities			
Share capital	13	51,000	51,000
Reserves		427,163	392,559
Total equity		478,163	443,559
Insurance contract liabilities	14	951,367	780,751
Insurance payables	15	164,908	104,167
Lease liabilities	16	939	205
Other payables	17	16,224	18,560
Total liabilities		1,133,438	903,683
Total equity and liabilities		1,611,601	1,347,242

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	2022 RM'000	2021 RM'000
Operating revenue	18	<u>655,933</u>	<u>632,850</u>
Gross reinsurance premiums	18	654,585	611,044
Premiums ceded to retrocessionaires		<u>(208,474)</u>	<u>(187,717)</u>
Net reinsurance premiums		<u>446,111</u>	<u>423,327</u>
Change in actuarial liabilities		<u>(11,660)</u>	<u>(41,326)</u>
Investment income - net	19	1,348	21,806
Realised (losses)/gains	20	(998)	104
Other operating income - net	21	<u>3,719</u>	<u>3,864</u>
Other income		<u>4,069</u>	<u>25,774</u>
Net claims incurred	22	<u>(355,917)</u>	<u>(296,903)</u>
Commission expense	23	(11,634)	(8,901)
Management expenses	24	<u>(22,978)</u>	<u>(27,681)</u>
Other expenses		<u>(34,612)</u>	<u>(36,582)</u>
Profit before tax		47,991	74,290
Tax expense	26	<u>(4,126)</u>	<u>(4,562)</u>
Profit for the year		<u>43,865</u>	<u>69,728</u>
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale investments	27	<u>11,657</u>	<u>(27,537)</u>
Total other comprehensive income/(loss) for the year net of tax		<u>11,657</u>	<u>(27,537)</u>
Total comprehensive income for the year		<u>55,522</u>	<u>42,191</u>

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2022

	<--- Non - Distributable --->		Distributable	
	Share capital	Fair value reserve	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	51,000	16,105	371,553	438,658
Fair value of available-for-sale investments	-	(27,537)	-	(27,537)
Profit for the year	-	-	69,728	69,728
Total comprehensive (loss)/income for the year	-	(27,537)	69,728	42,191
Dividends paid during the year (Note 28)	-	-	(37,290)	(37,290)
At 31 December 2021/ 1 January 2022	51,000	(11,432)	403,991	443,559
Fair value of available-for-sale investments	-	11,657	-	11,657
Profit for the year	-	-	43,865	43,865
Total comprehensive income for the year	-	11,657	43,865	55,522
Dividends paid during the year (Note 28)	-	-	(20,918)	(20,918)
At 31 December 2022	<u>51,000</u>	<u>225</u>	<u>426,938</u>	<u>478,163</u>

Note 13

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2022

	2022 RM'000	2021 RM'000
Cash flow from operating activities		
Profit before tax	47,991	74,290
Investment income - net	(1,348)	(21,806)
Realised losses/(gains)	998	(104)
Purchase of available-for-sale investments	(303,403)	(106,495)
Gain from modification of lease liabilities	(12)	-
Proceeds from maturity and buy-back of held-to-maturity investments	500	500
Proceeds from maturity and disposal of available-for-sale investments	228,271	175,382
Interest on lease liabilities	81	51
Unrealised loss/(gain) in foreign exchange	19	(7)
Adjustments for:		
Depreciation of plant and equipment	368	427
Amortisation of intangible assets	170	93
Depreciation of right-of-use assets	772	797
Gain on disposal of plant and equipment	-	(120)
Operating (loss)/profit before changes in working capital	(25,593)	123,008
Increase in reinsurance assets	(77,072)	(41,338)
Increase in insurance receivables	(110,311)	(169,501)
Decrease/(Increase) in loans and other receivables	44,302	(44,430)
Increase in insurance contract liabilities	170,616	174,907
Increase in insurance payables	60,741	379
Decrease in other payables	(2,179)	(540)
Cash generated from operations	60,504	42,485
Net investment income received	1,009	1,008
Interest on lease liabilities	(81)	(51)
Tax paid	(4,474)	(4,782)
Net cash generated from operating activities	56,958	38,660

Statement of cash flows for the year ended 31 December 2022 (continued)

	2022 RM'000	2021 RM'000
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	-	120
Purchase of plant and equipment	(152)	(273)
Purchase of intangible assets	-	(310)
Net cash used in investing activities	<u>(152)</u>	<u>(463)</u>
Cash flows from financing activities		
Dividends paid to shareholders	(20,918)	(37,290)
Payment of lease liabilities	(721)	(820)
Net cash used in financing activities	<u>(21,639)</u>	<u>(38,110)</u>
Net increase in cash and cash equivalents	35,167	87
Cash and cash equivalents at 1 January	<u>192</u>	<u>105</u>
Cash and cash equivalents at 31 December (Note 12)	<u><u>35,359</u></u>	<u><u>192</u></u>

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information and principal activities

Malaysian Life Reinsurance Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia.

The number of employees of the Company as at the end of the financial year was 86 (2021: 80).

The address of the registered office and principal place of business of the Company is as follows:

Registered office and principal place of business

Unit 39-A-6
Level 39, Tower A
Menara UOA Bangsar
No.5 Jalan Bangsar Utama 1
59000 Kuala Lumpur

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of this activity during the financial year.

The immediate and ultimate holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 16 March 2023.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

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

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases* – *Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements* – *Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures* – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards, interpretations or amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 17, *Insurance Contracts*

The Company will apply MFRS 17 for the first time on 1 January 2023, replacing MFRS 4. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and are expected to have a material impact on the Company's financial statements in the period of initial application.

The Company has assessed the estimated impact that the initial application of MFRS 17 will have on its financial statements. Based on assessments undertaken to date, the total adjustment (after tax) is estimated to increase the Company's total equity as at 1 January 2022. The Company will restate comparative information on adoption of MFRS 17.

The assessment is preliminary because not all of the transition work has been finalised. The actual impact of adopting MFRS 17 on 1 January 2023 and 2022 may change because:

- the Company is continuing to refine the new accounting processes and internal controls required for applying MFRS 17;
- the new systems and associated controls are only in place at the beginning of 2023;
- the Company has not finalised the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

i. Level of Aggregation

Under MFRS 17, reinsurance and retrocession contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by 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 including in an existing group, it forms a new group to which future contracts may be added. Retrocession contracts are grouped on a similar basis of the underlying reinsurance contracts.

The level of aggregation requirements of MFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as Contractual Service Margin ("CSM"), against losses on group of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under MFRS 4 (i.e. portfolio of contracts level), the level of aggregation under MFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

ii. Measurement Model

MFRS 17 introduces a discounted measurement approach as the general model for all reinsurance and retrocession contracts (General Measurement Model ("GMM")), as well as an option for a simplified measurement model for short-term contracts (Premium Allocation Approach ("PAA")) and a model solely dedicated to contracts with direct participating features (Variable Fee Approach ("VFA")).

The Company has chosen to apply the GMM for measurement of the entire portfolios. PAA is not applied and the Company does not issue any contracts with direct participating features.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

ii. Measurement Model (continued)

Reinsurance contracts issued

On initial recognition, the Company will measure a group of contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money, and a risk adjustment for non-financial risk; and the CSM. The fulfilment cash flows of a group of contracts do not reflect the Company's non-performance risk.

- The Company's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The best estimate assumptions applied to estimate future cash flows are determined by experience studies performed.
- All cash flows will be discounted using forward yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts.
- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Company would require for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk.
- The CSM of a group of contracts represents the unearned profit that the Company will recognise as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the fulfilment cash flows and any cash flows arising at that date is a net inflow.

In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognised as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

ii. Measurement Model (continued)

Reinsurance contracts issued (continued)

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

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

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

The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

Retrocession contracts

The Company will apply the same accounting policies to measure a group of retrocession contracts, with the following modifications.

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

ii. Measurement Model (continued)

Retrocession contracts (continued)

The Company will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with adjustment for any risk of non-performance by the retrocessionaire. The effect of the non-performance risk of the retrocessionaire is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in the insurance finance income and expenses in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Company to the retrocessionaire.

The CSM of a group of retrocession contracts represents a net cost or net gain on purchasing retrocession. It is measured such that no income or expense arises on initial recognition, except that the Company will:

- Recognise any net cost on purchasing retrocession coverage immediately in profit or loss as an expense if it is related to insured events that occurred before the purchase of the group; and
- Recognise income when it recognises a loss on initial recognition of onerous underlying contracts if the retrocession contract is entered into before or at the same time as the onerous underlying contracts are recognised. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the retrocession contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognised in profit or loss as services are received.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

Insurance acquisition cash flows that are directly attributable to a group of contracts (e.g. non-refundable reinsurance commissions paid on issuance of a contract) are allocated only to that group of contracts and to the groups that will include renewal of those contracts. The Company has not identified and will not recognise any insurance acquisition asset for insurance acquisition cash flows that arise before the recognition of a group of insurance contracts.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iii. Presentation and Disclosure

MFRS 17 will significantly change how reinsurance and retrocession contracts are presented and disclosed in the Company's financial statements.

Under MFRS 17, portfolio of reinsurance contracts that are assets and those that are liabilities, and portfolios of retrocession contracts 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 will no longer be presented separately. Any assets or liabilities 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 MFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

- an insurance service result, comprising insurance revenue and insurance service expenses; and
- insurance finance income or expenses.

Amounts from retrocession contracts will be presented separately.

Insurance service result

Insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

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 results.

Investment components will not be included in insurance revenue and insurance service expenses under MFRS 17. As a result, the Company expects a significant reduction in the total amounts of revenue and expenses from contracts with investment components compared with those recognised under the current practice. The Company will identify the investment component of a contract by determining the amount that it would be required to repay to the cedants in all scenarios with commercial substance. The Company has identified profit commissions, surrender values and maturity values arising from reinsurance contracts contain investment components.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iii. Presentation and Disclosure (continued)

Insurance service result (continued)

Amounts recovered from retrocessionaires and reinsurance expenses will no longer be presented separately, because the Company will present them on a net basis as 'net expenses from reinsurance contracts' in the insurance service results, but information about these will be included in the disclosures.

The Company will choose to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Insurance finance income and expenses

Under MFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses.

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

Disclosure

MFRS 17 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 judgments made when applying MFRS 17. There will also be expanded disclosures about the nature and extent of risk from reinsurance and retrocession contracts. Disclosures will generally be made at a more granular level than under MFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 17, *Insurance Contracts* (continued)

iv. Transition

Changes in accounting policies resulting from the adoption of MFRS 17 will be applied using a full retrospective approach to the extent practicable. If it is impracticable to apply a full retrospective approach to a group of contracts, then the Company will choose between modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

The Company will apply the fair value approach upon adoption of MFRS 17.

Generally, the Company has considered the application of full retrospective approach impracticable across all the groups of contracts due to following reasons:

- The information required has not been collected with sufficient granularity or is unavailable without incurring significant cost and effort due to the current system limitations. Such information includes historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis.
- The full retrospective approach requires assumptions about what Company's management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight. Such assumptions and estimates include for example discount rates, risk adjustments for non-financial risk and retrocession non-performance risk.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

MFRS 9 replaces MFRS 139, *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Company has met the relevant criteria and has applied the temporary exemption from MFRS 9 for annual periods before 1 January 2023. Consequently, the Company will apply MFRS 9 for the first time on 1 January 2023.

i. Classification of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their contractual cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets:

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

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

Based on the assessment performed, the financial assets held by the Company as at 31 December 2022 will be reclassified to the following classifications:

Financial assets	2022 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
Malaysian Government Guaranteed Securities	21,498	HTM	AC
Fixed Income CIS*	604,099	AFS	FVTPL
Short Term Fixed Income CIS*	97,327	AFS	FVTPL
Loans and receivables, excluding insurance receivables and prepayment	724	L&R	AC
Cash and cash equivalents	35,359	L&R	AC

* CIS is abbreviation for Collective Investment Schemes

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

i. Classification of financial assets (continued)

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

ii. Impairment of financial assets

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

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

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

(i) Stage 1: 12-month ECL

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

(ii) Stage 2: Lifetime ECL – Non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL – Credit impaired

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

ii. Impairment of financial assets (continued)

Credit impaired financial assets

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

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

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

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

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

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

The Company has estimated that the application of MFRS 9 impairment requirements at 1 January 2023 will not result in significant impairment losses for its loans and receivables.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

iii. Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139, all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9, these fair value changes are generally presented as follows:

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

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

iv. Disclosures

MFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

v. Transition

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

- (i) The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2023.
- (ii) The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

vi. Estimated impact of the adoption of MFRS 9

The estimated impact of the adoption of MFRS 9 on the Company's equity as at 1 January 2023 disclosed below is based on the assessments undertaken to date and maybe subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future.

	As at 31 December 2022 RM'000	Estimated adjustments due to adoption of MFRS 9 RM'000	Estimated adjusted opening balance as at 1 January 2023 RM'000
Statement of Financial Position			
Fair value reserve	225	(225)	-
Retained profits	426,938	225	427,163

The total estimated adjustment (net of tax) to the opening balance of the Company's equity at 1 January 2023 is RM225,000, made up of the reversal of fair value reserve due to reclassification of financial assets from AFS to FVTPL.

2. Basis of preparation (continued)

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than disclosed in Note 3(e)(ii).

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs 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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 3(k)(i) – Premium liabilities

Note 3(k)(ii) – Claims liabilities

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

3. Significant accounting policies (continued)

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant 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 Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(iii) Depreciation

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, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Motor vehicles	5 years
Office equipment	5 years
Furniture, fixtures and fittings	5 years
Computers	3 years
Renovation	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period, and adjusted as appropriate.

(c) Intangible assets

(i) Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring in use the specific software.

Expenditure incurred on software development is capitalised only if the future economic benefits are probable and the expenditure is directly associated with the production of identifiable and unique software systems controlled by the Company. Direct costs include the software development costs and appropriate portion of relevant overheads to prepare the asset for its intended use.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

3. Significant accounting policies (continued)

(c) Intangible assets (continued)

(iii) Amortisation (continued)

The estimated useful life for the current and comparative periods is as follows:

Software	10 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(d) Leases

(i) Definition of 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement

As a lessee

The Company 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 incentives received.

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- 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;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets of less than RM20,000. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant accounting policies (continued)

(d) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

COVID-19-related rent concessions

The Company has applied *COVID-19-Related Rent Concessions – Amendment to MFRS 16*. The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant 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.

3. Significant accounting policies (continued)

(d) Leases (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

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 revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, 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.

(e) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Available-for-sale financial assets*

Available-for-sale category comprises investments in equity, debt securities and unit trust funds, that are not held for trading.

Financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(c) *Held-to-maturity investments*

Held-to-maturity investments category comprises debts instruments that are quoted in an active market and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity are subsequently measured at amortised cost using the effective interest method.

(d) *Loans and receivables, excluding insurance receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions).

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(d) Loans and receivables, excluding insurance receivables (continued)

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(e) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for those financial assets. These processes are described in Note 3(g)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3(e)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(g)(i) and Note 3(g)(ii)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Company in the management of its short term commitments.

3. Significant accounting policies (continued)

(g) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 3(g)(ii) below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the insurance receivables is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iii) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets 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 cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(iii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at the end of each reporting period 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 since the last impairment loss was recognised. 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. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(h) Product classification

The Company issues contracts that transfer insurance risk.

Reinsurance contracts are those contracts that transfer significant insurance risk. A reinsurance contract is a contract under which the Company (the reinsurer) has accepted significant insurance risk from another party (the cedant) by agreeing to compensate the cedant if a specified uncertain future event (the insured event) adversely affects the cedant. Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits.

Once a contract has been classified as a reinsurance contract, it remains a reinsurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(i) Reinsurance

The Company retrocedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from retrocessionaires. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retrocessionaire's policies and are in accordance with the related retrocession contracts.

Retroceded reinsurance arrangements do not relieve the Company from its obligations to cedants. Premiums and claims are presented on a gross basis for both retroceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retrocessionaire. The impairment loss is recorded in profit or loss.

3. Significant accounting policies (continued)

(j) Reinsurance commission

Reinsurance commission, which are costs directly incurred in securing reinsurance premiums on reinsurance, and income derived from retrocessionaires in the course of ceding of premiums to retrocessionaires, are charged to profit or loss in the period in which they are incurred or deferred where appropriate.

(k) Life reinsurance underwriting results

Any surplus transferable from the Life Fund to profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to cedants. Actuarial valuation reserves comprise premium liabilities and claim liabilities.

(i) Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserve (UPR) for all lines of business and the best estimate value of the Unexpired Risk Reserve (URR) at the required risk margin for adverse deviation.

Unearned Premium Reserve

The UPR represents the portion of the net premium income of a reinsurance contract written that relates to the unexpired periods of the contract at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used. 1/8th method is applied to gross premiums.

Unexpired Risk Reserve

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the reinsurer's expenses, including overheads and cost of retrocession, expected to be incurred during the unexpired period in administering these treaties and settling the relevant claims, and expected future premium refunds.

(ii) Claims liabilities

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

3. Significant accounting policies (continued)

(k) Life reinsurance underwriting results (continued)

(ii) Claims liabilities (continued)

Estimating the outstanding claims provision involves projection of the Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement as well as uncertainties in the projection model and underlying assumptions.

(l) Acquisition costs

The cost of acquiring and renewing reinsurance contracts net of income derived from retroceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income based on the method specified in Note 3(k)(i). Acquisition costs or retroceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

(n) Premium income

The Company recognises reinsurance premiums on an accrual basis. Gross premium is reduced by discount on premiums, if any.

(o) Interest income

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

3. Significant accounting policies (continued)

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave 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 incentive schemes if the Company 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.

(ii) Long-term incentive plans

A liability is recognised on an undiscounted basis for the amount expected to be paid for the incentive plan if the Company 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.

(iii) State plans

The Company's contributions to the statutory pension funds are charged to profit or loss in the financial year in which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is attributable.

(q) Income tax

Income 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 other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in statement of financial position and their tax bases. Deferred tax is not recognised for 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. Significant accounting policies (continued)

(q) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Affiliated company

An affiliated company is defined as one that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

(s) Provisions

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payments and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company 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 technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Plant and equipment

	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2021	798	394	744	1,567	2,522	6,025
Additions	-	18	-	255	-	273
Disposal	(495)	-	-	-	-	(495)
At 31 December 2021/ 1 January 2022	303	412	744	1,822	2,522	5,803
Additions	-	-	22	130	-	152
Written off	-	-	-	(56)	-	(56)
At 31 December 2022	303	412	766	1,896	2,522	5,899
Accumulated depreciation						
At 1 January 2021	490	345	697	1,021	2,316	4,869
Charge for the year	66	20	12	261	68	427
Disposal	(495)	-	-	-	-	(495)
At 31 December 2021/ 1 January 2022	61	365	709	1,282	2,384	4,801
Charge for the year	60	14	14	234	46	368
At 31 December 2022	121	379	723	1,516	2,430	5,169
Carrying amount						
At 1 January 2021	308	49	47	546	206	1,156
At 31 December 2021/ 1 January 2022	242	47	35	540	138	1,002
At 31 December 2022	182	33	43	380	92	730

4. Plant and equipment (continued)

Included in plant and equipment are the following fully depreciated assets which are still in use:

	2022 RM'000	2021 RM'000
At cost:		
Furniture, fixtures and fittings	686	683
Computers	1,153	884
Office equipment	349	320
Renovation	2,318	2,246
	<u>4,506</u>	<u>4,133</u>

5. Intangible assets

	Software in use RM'000	Software under development RM'000	Total RM'000
Cost			
At 1 January 2021	957	2,766	3,723
Additions	-	310	310
At 31 December 2021/1 January 2022	957	3,076	4,033
Transfer	263	(263)	-
Written off	-	(101)	(101)
At 31 December 2022	<u>1,220</u>	<u>2,712</u>	<u>3,932</u>
Amortisation			
At 1 January 2021	94	-	94
Amortisation for the year	93	-	93
At 31 December 2021/1 January 2022	187	-	187
Amortisation for the year	170	-	170
At 31 December 2022	<u>357</u>	<u>-</u>	<u>357</u>
Carrying amount			
At 1 January 2021	863	2,766	3,629
At 31 December 2021/1 January 2022	770	3,076	3,846
At 31 December 2022	<u>863</u>	<u>2,712</u>	<u>3,575</u>

6. Right-of-use assets

The Company leases many assets including office buildings, printing and photostat machines.

	Office buildings RM'000	Printing and photostat machines RM'000	Total RM'000
At 1 January 2021	868	107	975
Additions	12	-	12
Depreciation charge for the year	(741)	(56)	(797)
At 31 December 2021/1 January 2022	139	51	190
Additions	1,314	153	1,467
Depreciation charge for the year	(727)	(45)	(772)
At 31 December 2022	726	159	885

Extension options

All the leases of the office buildings contain extension option exercisable by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension option. The Company reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in circumstances within its control.

As of 31 December 2022, the Company is in the view that it is not reasonably certain for the Company to exercise the extension option in the lease of the office buildings.

Judgements and assumptions in relation to leases

The Company assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Company considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help it determine the lease term.

The Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Company first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Rent concessions

The Company negotiated rent concessions with its lessors for some of its building and premises leases as a result of the severe impact of the COVID-19 pandemic during the previous financial year. The Company applied the practical expedient under the Amendment to MFRS 16, *Leases – COVID-19-Related Rent Concessions* consistently to eligible rent concessions relating to its building and premises leases.

6. Right-of-use assets (continued)

Rent concessions (continued)

The amount recognised in profit or loss for the year ended 31 December 2021 to reflect changes in lease payments arising from rent concessions to which the Company had applied the practical expedient under the Amendment to MFRS 16, *Leases – COVID-19-Related Rent Concessions* was RM92,560.

7. Investments

(a) Held-to-maturity ("HTM") investments

	2022		2021	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Malaysian Government Guaranteed Securities	21,498	22,469	22,002	23,121

(b) Available-for-sale ("AFS") investments

	2022		2021	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Unit trusts				
- Fixed Income CIS*	604,099	604,099	612,270	612,270
- Short Term Fixed Income CIS*	97,327	97,327	-	-
- Cash Management CIS*	-	-	2,034	2,034
	<u>701,426</u>	<u>701,426</u>	<u>614,304</u>	<u>614,304</u>

* CIS is abbreviation for Collective Investment Schemes

(c) Estimation of fair values

The estimated fair values for Malaysian Government Guaranteed Securities are based on the indicative market prices obtained from an independent licensed financial institutions at the end of the reporting period.

The following investments mature after 12 months:

	2022 RM'000	2021 RM'000
Financial assets:		
Held-to-maturity	<u>21,498</u>	<u>22,002</u>

7. Investments (continued)

(d) Carrying amounts of investments

	HTM RM'000	AFS RM'000	Total RM'000
At 1 January 2021	22,509	692,206	714,715
Addition	-	106,495	106,495
Disposal/Maturity/Repayment	(500)	(175,382)	(175,882)
Distribution income reinvested	-	20,805	20,805
(Losses)/Gains recorded in:			
- profit or loss	(7)	111	104
- other comprehensive income	-	(29,931)	(29,931)
At 31 December 2021/ 1 January 2022	22,002	614,304	636,306
Addition	-	303,403	303,403
Disposal/Maturity/Repayment	(500)	(228,271)	(228,771)
Distribution income reinvested	-	17,525	17,525
Impairment loss	-	(17,214)	(17,214)
(Losses)/Gains recorded in:			
- profit or loss	(4)	(992)	(996)
- other comprehensive loss	-	12,671	12,671
At 31 December 2022	21,498	701,426	722,924

Company No. 199701002371 (417867-K)

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and equipment	-	-	(187)	(133)	(187)	(133)
Provisions	402	793	-	-	402	793
Fair value of available-for-sale investments	-	956	(58)	-	(58)	956
Other items	6	4	-	-	6	4
	<u>408</u>	<u>1,753</u>	<u>(245)</u>	<u>(133)</u>	<u>163</u>	<u>1,620</u>
Net deferred tax assets/(liabilities)	408	1,753	(245)	(133)	163	1,620

8. Deferred tax assets/(liabilities) (continued)**Movement in temporary differences during the financial year**

	At 1 January 2022 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income (Note 27) RM'000	At 31 December 2022 RM'000
Plant and equipment	(133)	(54)	-	(187)
Provisions	793	(391)	-	402
Fair value of available-for-sale investments	956	-	(1,014)	(58)
Other items	4	2	-	6
	<u>1,620</u>	<u>(443)</u>	<u>(1,014)</u>	<u>163</u>
			Recognised in other comprehensive income (Note 27) RM'000	At 31 December 2021 RM'000
Plant and equipment	(77)	(56)	-	(133)
Provisions	1,044	(251)	-	793
Fair value of available-for-sale investments	(1,438)	-	2,394	956
Other items	8	(4)	-	4
	<u>(463)</u>	<u>(311)</u>	<u>2,394</u>	<u>1,620</u>

Deferred tax liabilities and assets are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxation authority.

9. Reinsurance assets

	Note	2022 RM'000	2021 RM'000
Retrocession of reinsurance contracts:			
Provision for outstanding claims	14.1	165,861	111,099
Actuarial liabilities	14.2	<u>157,544</u>	<u>135,234</u>
		<u>323,405</u>	<u>246,333</u>

10. Insurance receivables

	2022 RM'000	2021 RM'000
Due premiums from cedants	515,432	404,902
Amount due from retrocessionaires	<u>1,319</u>	<u>1,557</u>
	<u>516,751</u>	<u>406,459</u>

Included in the amount due from retrocessionaires is RM1,318,989 (2021: RM1,553,890) due from an affiliated company.

11. Loans and receivables, excluding insurance receivables

	2022 RM'000	2021 RM'000
Other receivables	115	44,977
Deposits	280	280
Prepayments	920	360
Income due and accrued	<u>329</u>	<u>303</u>
	<u>1,644</u>	<u>45,920</u>
Receivable after 12 months	<u>115</u>	<u>115</u>

Included in other receivables as at 31 December 2021 was an amount of RM44,862,000 being proceeds from redemptions of available-for-sale investments pending receipt by the Company. The amount was subsequently received by the Company during the current financial year.

12. Cash and cash equivalents

	2022 RM'000	2021 RM'000
Cash and bank balances	194	92
Short term deposits with licensed banks	35,165	100
	<u>35,359</u>	<u>192</u>

13. Share capital

	2022		2021	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>

Ordinary shares

The holders 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.

Company No. 199701002371 (417867-K)

14. Insurance contract liabilities

	<-----2022----->			<-----2021----->		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Provision for outstanding claims	423,100	(165,861)	257,239	286,454	(111,099)	175,355
Actuarial liabilities	528,267	(157,544)	370,723	494,297	(135,234)	359,063
	<u>951,367</u>	<u>(323,405)</u>	<u>627,962</u>	<u>780,751</u>	<u>(246,333)</u>	<u>534,418</u>

14.1 Provision for outstanding claims

	<-----2022----->			<-----2021----->		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
At 1 January	286,454	(111,099)	175,355	151,385	(68,273)	83,112
Claims reported for the current accident year	244,083	(88,243)	155,840	224,879	(71,152)	153,727
Reported claims in relation to prior accident years	287,950	(87,873)	200,077	229,003	(85,827)	143,176
Claims paid during the year	<u>(395,387)</u>	<u>121,354</u>	<u>(274,033)</u>	<u>(318,813)</u>	<u>114,153</u>	<u>(204,660)</u>
At 31 December	<u>423,100</u>	<u>(165,861)</u>	<u>257,239</u>	<u>286,454</u>	<u>(111,099)</u>	<u>175,355</u>

Note 9

Note 9

14. Insurance contract liabilities (continued)**14.2 Provision for actuarial liabilities**

	<-----2022----->			<-----2021----->		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
At 1 January	494,297	(135,234)	359,063	454,459	(136,722)	317,737
Change in life assurance fund contract liabilities:						
Due to change of YRT						
– Health reserving methodology	-	-	-	6,116	(1,108)	5,008
Assumption change (YRT Life)	(15,846)	3,748	(12,098)	(1,739)	222	(1,517)
Due to movement during the year	37,312	(15,059)	22,253	31,969	(1,983)	29,986
Due to movement and assumption change (SRT)	12,504	(10,999)	1,505	(13,350)	18,512	5,162
Due to change of SRT reserving methodology	-	-	-	16,842	(14,155)	2,687
At 31 December	<u>528,267</u>	<u>(157,544)</u>	<u>370,723</u>	<u>494,297</u>	<u>(135,234)</u>	<u>359,063</u>

Note 9

Note 9

15. Insurance payables

	2022 RM'000	2021 RM'000
Amount due to cedants	21,352	3,641
Amount due to retrocessionaires	143,556	100,526
	<u>164,908</u>	<u>104,167</u>

Included in amount due to retrocessionaires is RM142,595,975 (2021: RM99,644,609) due to an affiliated company.

16. Lease liabilities

Leases as lessee

	2022 RM'000	2021 RM'000
Lease liabilities are payable as follows:		
- Within next 12 months	821	100
- After next 12 months	118	105
	<u>939</u>	<u>205</u>

16.1 Reconciliation of movements in lease liabilities to cash flows arising from financing activities

	Note	2022 RM'000	2021 RM'000
At 1 January		205	1,013
Net changes from financing cash flows		(721)	(820)
Acquisition of new leases	6	1,467	12
Modification of leases		(12)	-
At 31 December		<u>939</u>	<u>205</u>

16.2 Amounts recognised in statement of cash flows

	2022 RM'000	2021 RM'000
Included in net cash from operating activities:		
Interest on lease liabilities	(81)	(51)
Payment relating to leases of low-value assets	(2)	(2)
Included in net cash from financing activities:		
Payment of lease liabilities	<u>(721)</u>	<u>(820)</u>
Total cash outflows for leases	<u>(804)</u>	<u>(873)</u>

17. Other payables

	2022 RM'000	2021 RM'000
Other payables	488	580
Accrued expenses	<u>15,736</u>	<u>17,980</u>
	<u>16,224</u>	<u>18,560</u>

Included in other payables is RM189,000 (2021: RM4,608,517) due to an affiliated company.

18. Operating revenue

	Note	2022 RM'000	2021 RM'000
Gross reinsurance premiums		654,585	611,044
Investment income	19	<u>1,348</u>	<u>21,806</u>
		<u>655,933</u>	<u>632,850</u>

19. Investment income – net

	2022 RM'000	2021 RM'000
Held-to-maturity investments		
- interest income	971	1,006
Available-for-sale investments		
- distribution income	19,775	22,922
Fixed and call deposits with licensed financial institutions		
- interest income	<u>70</u>	<u>2</u>
	20,816	23,930
Less:		
Investment expenses	(2,254)	(2,124)
Impairment loss on available-for-sale investments	<u>(17,214)</u>	<u>-</u>
	<u>1,348</u>	<u>21,806</u>

20. Realised (losses)/gains

	2022 RM'000	2021 RM'000
(Losses)/Gains on disposal/repayment		
- Held-to-maturity investments	(6)	(7)
- Available-for-sale investments	<u>(992)</u>	<u>111</u>
	<u>(998)</u>	<u>104</u>

21. Other operating income – net

	2022 RM'000	2021 RM'000
Gain on disposal of plant and equipment	-	120
Realised loss in foreign exchange	(67)	(218)
Unrealised (loss)/gain in foreign exchange	(19)	7
Rent free period of leases	-	93
Other income	3,805	3,862
	<u>3,719</u>	<u>3,864</u>

22. Net claims incurred

	2022 RM'000	2021 RM'000
Gross claims paid	395,387	318,813
Claims recovered	<u>(121,354)</u>	<u>(114,153)</u>
Net claims paid	<u>274,033</u>	<u>204,660</u>
Gross change in claims liabilities:		
At 31 December	423,100	286,454
At 1 January	<u>(286,454)</u>	<u>(151,385)</u>
	<u>136,646</u>	<u>135,069</u>
Change in claims liabilities retroceded:		
At 31 December	(165,861)	(111,099)
At 1 January	<u>111,099</u>	<u>68,273</u>
	<u>(54,762)</u>	<u>(42,826)</u>
	<u>355,917</u>	<u>296,903</u>

23. Commission expense

	2022 RM'000	2021 RM'000
Commission expense	<u>(11,634)</u>	<u>(8,901)</u>

24. Management expenses

	2022	2021
	RM'000	RM'000
Employee benefits expenses	15,860	16,345
Directors' remuneration	1,044	890
Auditors' remuneration		
- Audit fees	377	277
- Non-audit fees	-	60
Depreciation of plant and equipment	368	427
Depreciation of right-of-use assets	772	797
Interest on lease liabilities	81	51
Amortisation of intangible assets	170	93
Direct operating expenses (revenue-generating)	4,010	7,614
Other expenses	296	1,127
	<u>22,978</u>	<u>27,681</u>

25. Key management personnel compensation

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

2022

	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits- in-kind RM'000	Total RM'000
Chief Executive Officer							
Gan Tze Lian	-	545	-	87	-	10	642
Non-Executive Directors							
Toi See Jong	126	-	-	-	19	-	145
Y. Bhg. Dato Koh Yaw Hui	95	-	-	-	17	-	112
Low Shih Nin *	125	-	-	-	23	-	148
Lau Yew Kong	171	-	-	-	25	-	196
Y. Bhg Dato' Muthanna Abdullah	133	-	-	-	22	-	155
Ahmad Subri Abdullah	113	-	-	-	18	-	131
Tan Lye Sim	133	-	-	-	24	-	157
Total Directors' Remuneration (including benefits-in-kind)	896	-	-	-	148	-	1,044
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	896	545	-	87	148	10	1,686

* This Director is a nominee of an affiliated company, Reinsurance Group of America, Incorporated (RGA). His remuneration is paid directly to RGA.

Company No. 199701002371 (417867-K)

25. Key management personnel compensation (continued)

2021

	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits- in-kind RM'000	Total RM'000
Chief Executive Officer							
Gan Tze Lian	-	818	127	151	1	22	1,119
Non-Executive Directors							
Toi See Jong	115	-	-	-	10	-	125
Y. Bhg. Dato Koh Yaw Hui	85	-	-	-	10	-	95
Low Shih Nin *	115	-	-	-	10	-	125
Chee Siew Eng	31	-	-	-	3	-	34
Lau Yew Kong	155	-	-	-	13	-	168
Y. Bhg Dato' Muthanna Abdullah	122	-	-	-	10	-	132
Ahmad Subri Abdullah	102	-	-	-	10	-	112
Tan Lye Sim	92	-	-	-	7	-	99
Total Directors' Remuneration (including benefits-in-kind)	817	-	-	-	73	-	890
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	817	818	127	151	74	22	2,009

* This Director is a nominee of an affiliated company, Reinsurance Group of America, Incorporated (RGA). His remuneration is paid directly to RGA.

26. Tax expense

	2022 RM'000	2021 RM'000
Current tax expense		
- current year	3,450	4,241
- under provision in prior years	233	10
	<u>3,683</u>	<u>4,251</u>
Deferred tax expense		
- origination and reversal of temporary differences	399	250
- under provision in prior years	44	61
	<u>443</u>	<u>311</u>
	<u>4,126</u>	<u>4,562</u>
Reconciliation of tax expense		
Profit for the year	43,865	69,728
Total income tax expense	<u>4,126</u>	<u>4,562</u>
Profit excluding tax	<u>47,991</u>	<u>74,290</u>
Tax at Malaysian tax rate of 8% (2021: 8%)	3,839	5,943
Income not subject to tax	(1,581)	(1,834)
Non-deductible expenses	<u>1,591</u>	<u>382</u>
	3,849	4,491
Under provision in prior years	<u>277</u>	<u>71</u>
Tax expense	<u>4,126</u>	<u>4,562</u>

27. Other comprehensive income/(loss)

	<-----2022----->			<-----2021----->		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax credit RM'000	Net of tax RM'000
Fair value of available-for-sale- investments						
- Gain/(loss) arising during the year	<u>12,671</u>	<u>(1,014)</u>	<u>11,657</u>	<u>(29,931)</u>	<u>2,394</u>	<u>(27,537)</u>

28. Dividends

Dividends recognised by the Company	Sen per share	Total amount RM'000	Date of payment
2022			
Final 2021 ordinary	41.02	<u>20,918</u>	31 May 2022
2021			
Final 2020 ordinary	73.12	<u>37,290</u>	4 June 2021

29. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The related parties of the Company are:

i) Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

ii) Affiliated company

An affiliated company is a company that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include the Chief Executive Officer and all the Directors of the Company. Key management personnel compensation is disclosed in Note 25 to the financial statements.

29. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 10, 15 and 17.

	2022 RM'000	2021 RM'000
Shareholders of the holding company		
Gross premium income	605,876	569,567
Discount payable	(17,128)	(19,445)
Profit commission payable	(15,139)	(17,871)
Claims payable	<u>(488,058)</u>	<u>(402,894)</u>
Affiliated company		
Gross premium income	55,695	55,769
Discount payable	(1,153)	(2,302)
Profit commission recoverable	3,666	9,703
Gross premium retroceded	(204,749)	(180,371)
Retroceded discount receivable	(1,753)	(309)
IT Support Services		
- Worldwide	(55)	3
Technical Support Services		
- Worldwide	-	37
Administrative Services		
- Labuan	2,044	3,288
Claims payable	(36,922)	(42,917)
Claims recoverable	<u>170,394</u>	<u>152,168</u>

30. Risk management framework

The risk management framework of the Company is as follows:

- The Risk Management Committee was established to drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks.
- Independent risk management and compliance functions are responsible for ensuring that risk policies are implemented and complied with.
- The Management of respective Business Units are responsible for identifying, assessing and mitigating risks within their lines of business and ensure that their day-to-day business activities are carried out in accordance with established risk policies, procedures and limits.

30. Risk management framework (continued)

- The Audit Committee, supported by Internal Audit, is established to provide an independent assessment of the adequacy and reliability of risk management processes and system of internal controls, as well as compliance with risk policies, laws, regulatory requirements and internal guidelines.
- Risk Management policies are reviewed annually to ensure they remain relevant and effective in managing the associated risks arising from changes in the market and the regulatory environment.

Capital Management

Pursuant to the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia (“BNM”), the Board approved and adopted a Capital Management Plan (“CMP”) for the Company in line with the requirements set out in the Risk-Based Capital Framework with effect from 1 January 2009. The objective of the CMP and the Company’s policy are to create shareholders’ value, deliver sustainable returns to shareholders, and maintain a strong capital position with optimum buffer to meet the Company’s obligations and regulatory requirements.

The management of the Company’s capital is guided by the CMP which is driven by the Company’s business strategies and organisational requisites which take into account the business and regulatory environment in which the Company operates. In this respect, the Company sets a capital target that is above the minimum regulatory requirements as defined and required under the Risk-Based Capital Framework.

The Company conducts stress testing annually under the Financial Condition Report. The objective of the stress test is to evaluate the extent by which the Company’s capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to adverse plausible events. The Financial Condition Report, together with the mitigating measures and action plan are tabled to the Board for approval prior to submission to BNM.

Management of Climate-related Risks

The management of climate-related risk is embedded in the Company’s Risk Management Framework in line with regulatory recommendation. Three main types of climate-related risks to the Company are considered:

1. Physical risk – associated with physical losses and disruption to business activities arising from climate-related events. These are further categorised into acute and chronic risk.
2. Transition risk – associated with the adjustment made towards an environmental friendly economy.
3. Liability risk – associated with legal risks and claim damages and losses incurred arising from physical and transition risks, such as non-compliance to policies or regulations.

30. Risk management framework (continued)

Management of Climate-related Risks (continued)

Climate-related risk	Examples	Potential Impact	Risk Management
1. Physical risk			
(a) Acute risk			
<ul style="list-style-type: none"> - Loss or impaired lives - Trade disruption - Reduction in productivity - Damaged assets 	Climate related events or natural disasters such as hurricanes, floods leading to higher mortality, increased illnesses, operation disruption or physical damage to the Company's assets	Higher life and medical claims, pandemic, catastrophic, business continuity, inadequate resources, illiquidity, operational losses	Monitor under: (i) Insurance Risk- Claims risk, Medical risk, Pandemic risk and Catastrophic risk (ii) Operational Risk- Business disruption and system failures risk, Human Capital risk, Liquidity risk, Operational losses risk
(b) Chronic risk			
<ul style="list-style-type: none"> - Pricing and Underwriting assumptions - Investment - Loss or lower revenue 	Gradual changes such as change of mortality profiles and demographic trend. Climate related events affecting profitability and cost of business for invested counterparties or affecting economy and household income.	Change of risk profiles in terms of pricing and underwriting, reduction in investment value, higher lapsation resulted in operational losses	Monitor under: (i) Insurance Risk- Pricing risk, Underwriting process risk, Lapse Risk (ii) Market Risk - CIS risk (iii) Credit Risk - Investment default risk
2. Transition risk			
(a) Public policy and regulation			
<ul style="list-style-type: none"> - New policies and regulations from regulators 	Enhanced reporting requirements, increasing efficiency standards, use of a carbon price	Compliance issue leading to higher compliance costs	Monitor under: (i) Operational Risk - Compliance risk
(b) Strategic			
<ul style="list-style-type: none"> - Arising from changes in business trends 	Significant change in customers demand	Changes in business strategies	Monitor under: (i) New Initiative Risk
(c) Investment			
<ul style="list-style-type: none"> - Arising from market, policy, technological and social changes 	Demand for green products or low carbon goods and services become more attractive	Changes in investment strategies	Monitor under: (i) Market Risk - CIS risk (ii) Credit Risk - Investment default risk
(d) Reputation			
<ul style="list-style-type: none"> - Arising from social activism against the Company's inability to manage climate risk 	Higher expectations or concerns from regulators or stakeholders	Reputation, loss of market share leading to loss of revenue	Monitor under: (i) Operational Risk- Reputation risk

30. Risk management framework (continued)

Management of Climate-related Risks (continued)

Climate-related risk	Examples	Potential Impact	Risk Management
3. Liability risk			
Assessed as part of physical and transition risks	Fines for non-compliance to policies or regulations, litigation due to inability to manage climate risks	Legal and compliance issue	Monitor under: (i) Operational Risk - Compliance risk and Legal risk

Based on the above, climate-related risk will be managed as Transversal Risk in view of that the impact to the Company is realised in other risk categories (transversal nature).

Meanwhile, the metrics and targets to be used to assess and manage the climate-related risk moving forward would require more analysis and shall only be established thereafter. For the time being, two broad categories of impact associated with climate change have been identified by the Company, namely Investment and Insurance, which are covering the resultant impact from climate-related risks. In managing the impact, Finance and Actuarial Valuation are responsible for identifying, assessing and managing the related risks and opportunities within their scope while the Risk Management Committee and Investment Committee are empowered to oversee the overall climate-related risk and opportunities for the Company.

31. Insurance risk management

Managing insurance risk is the core business of the Company. The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Insurance risk results from pricing and acceptance of reinsurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices of products and establishing the technical provisions and liabilities for claims. Sources of risk include policy lapses and claims such as mortality and morbidity.

The Company utilises retrocession to manage the mortality and morbidity risks. Loss ratios would be monitored closely and insurance risk can be mitigated by a re-pricing exercise if the adverse experience persists.

31. Insurance risk management (continued)

Geographically, the Company's risks are concentrated in Malaysia. Catastrophic cover is procured to limit catastrophic losses.

The table below sets out the concentration of the Company's reinsurance business premium by type of product.

	<-----2022----->			<-----2021----->		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Yearly Renewable Term - Life	515,020	(108,288)	406,732	461,153	(95,374)	365,779
Yearly Renewable Term - Health	51,523	(28,780)	22,743	47,820	(24,311)	23,509
Surplus Relief Reinsurance	77,158	(70,953)	6,205	94,090	(67,670)	26,420
Coinsurance	10,884	(453)	10,431	7,981	(362)	7,619
Total	654,585	(208,474)	446,111	611,044	(187,717)	423,327

The table below sets out the concentration of the Company's actuarial liabilities by type of product.

	<-----2022----->			<-----2021----->		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Yearly Renewable Term - Life	376,011	(62,244)	313,767	353,508	(49,234)	304,274
Yearly Renewable Term - Health	28,984	(12,037)	16,947	34,791	(13,758)	21,033
Surplus Relief Reinsurance	116,888	(83,099)	33,789	104,384	(72,100)	32,284
Coinsurance	6,384	(164)	6,220	1,614	(142)	1,472
Total	528,267	(157,544)	370,723	494,297	(135,234)	359,063

Key assumptions

Material judgements are required in determining the claim liabilities and in the choice of assumptions. Assumptions used are based on past experience current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at date of valuation. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

31. Insurance risk management (continued)

Disclosure of Key Assumptions

Yearly Renewable Term Contracts

The principal assumptions underlying the estimation of claims liabilities is that the Company's future claims will follow a similar pattern to the past claims development experience. These assumptions include claims development factors and loss ratios. These assumptions are derived based on the Company's historical and emerging underwriting experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future.

In setting provisions for claims liabilities, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. As required by Bank Negara Malaysia under the Risk-Based Capital Framework, the Company sets provisions for claims at the 75% confidence interval.

Sensitivities

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from estimation. The sensitivity analysis is performed on the Yearly Renewable Term - Life liabilities and Yearly Renewable Term – Health.

The analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000
2022			
Assumed loss ratios increase by 10%	<u>25,295</u>	<u>18,033</u>	<u>(18,033)</u>
2021			
Assumed loss ratios increase by 10%	<u>23,989</u>	<u>17,732</u>	<u>(17,732)</u>

Coinsurance and Surplus Relief Treaties

The principal assumptions underlying the estimation of liabilities include mortality assumptions, investment return, lapse rates and discount rates.

The Company booked its coinsurance and surplus relief treaties contract liabilities based on liabilities amounts provided by the respective cedants. The key assumptions to which the estimation of liabilities is particularly sensitive are mortality and morbidity rates, longevity, investment return, expenses, lapse and surrender rates and discount rates. The selection of these assumptions varies by cedants and is not disclosed to the Company. As such, sensitivity analysis could not be performed.

32. Financial instruments

32.1 Categories of financial instruments

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

- (a) Loans and receivables ("L&R")
- (b) Held-to-maturity investments ("HTM")
- (c) Available-for-sale investments ("AFS"); and
- (d) Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	HTM RM'000
2022				
Financial assets				
Investments	722,924	-	701,426	21,498
Insurance receivables	516,751	516,751	-	-
Loans and receivables, excluding insurance receivables and prepayments	724	724	-	-
Cash and cash equivalents	35,359	35,359	-	-
	<u>1,275,758</u>	<u>552,834</u>	<u>701,426</u>	<u>21,498</u>
Financial liabilities				
Insurance payables	(164,908)	(164,908)	-	-
Other payables	(16,224)	(16,224)	-	-
	<u>(181,132)</u>	<u>(181,132)</u>	<u>-</u>	<u>-</u>
2021				
Financial assets				
Investments	636,306	-	614,304	22,002
Insurance receivables	406,459	406,459	-	-
Loans and receivables, excluding insurance receivables and prepayments	45,560	45,560	-	-
Cash and cash equivalents	192	192	-	-
	<u>1,088,517</u>	<u>452,211</u>	<u>614,304</u>	<u>22,002</u>
Financial liabilities				
Insurance payables	(104,167)	(104,167)	-	-
Other payables	(18,560)	(18,560)	-	-
	<u>(122,727)</u>	<u>(122,727)</u>	<u>-</u>	<u>-</u>

32. Financial instruments (continued)

32.2 Net gains and losses arising from financial instruments

	2022 RM'000	2021 RM'000
Net gains/(losses) arising on:		
Held-to-maturity investments	965	997
Available-for-sale investments		
- recognised in profit or loss	1,569	23,035
- recognised in other comprehensive income	12,671	(29,931)
Loans and receivables	(16)	(209)
	<u>15,189</u>	<u>(6,108)</u>

32.3 Financial risk management

The Company is exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk (currency risk, interest rate risk, equity price risk) and operational risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders whilst managing potential exposure to adverse effects on its financial performance and positions.

The Company is guided by risk management policies which set out the overall business strategies. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of financial risk management is delegated to the Management of the Company.

The policies and measures taken by the Company to manage these risks are as set out below:

- Credit risk
- Liquidity risk
- Market risk

32.4 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities, placements or balances with financial institutions, reinsurance premium receivables and recoveries from retrocessionaires.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Receivables

Risk management objectives, policies and process for managing the risk

Management has taken reasonable steps to ensure that premium receivables that are neither past due nor impaired are stated at their realisable values. The Company uses aging analysis to monitor the credit quality of premium receivables. Premium receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Recoveries from retrocessionaires are monitored by the Finance Department. The Company monitors the credit quality and financial conditions on a quarterly basis as part of its overall credit risk management framework. The Company cedes the majority of its business to reinsurers that are deemed to be qualified reinsurers under the Risk-Based Capital Framework.

Impairment losses

The Company maintains an aging analysis in respect of insurance receivables and the aging of insurance receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2022				
Not past due	496,699	-	-	496,699
Past due 1-30 days	4,278	-	-	4,278
Past due 31-60 days	674	-	-	674
Past due 61-90 days	2,435	-	-	2,435
Past due more than 90 days	12,665	-	-	12,665
	<u>516,751</u>	<u>-</u>	<u>-</u>	<u>516,751</u>
2021				
Not past due	380,641	-	-	380,641
Past due 1-30 days	5,590	-	-	5,590
Past due 31-60 days	1,675	-	-	1,675
Past due 61-90 days	4,461	-	-	4,461
Past due more than 90 days	14,092	-	-	14,092
	<u>406,459</u>	<u>-</u>	<u>-</u>	<u>406,459</u>

32. Financial instruments (continued)

32.4 Credit risk (continued)

Receivables (continued)

Past due and impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

As at the end of the reporting period, based on a combination of collective and individual assessment of receivables, there was no provision for impaired insurance receivables. All insurance receivables are from licensed insurers/reinsurers and there has been no history of non-collection. The Company records impairment allowance for insurance receivables in a separate "Allowance for Impairment" account.

Investments and deposit placements

Risk management objectives, policies and procedures for managing the risk

For fixed income securities, the Company relies on the ratings assigned by external rating agencies to assess the issuer's credit risk. Monitoring of credit is carried out by the Finance Department and any adverse changes in the credit profile on a security to below A-rated would be reported to the Investment Committee.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only invested in domestic securities and have placements with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Company does not have overdue investments that have not been impaired.

32. Financial instruments (continued)

32.4 Credit risk (continued)

32.4.1 Credit exposure

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The table below shows the maximum exposure to credit risk for the financial asset components on the statement of financial position.

	2022 RM'000	2021 RM'000
Investments:		
Held-to-maturity investments	21,498	22,002
Insurance receivables	516,751	406,459
Loans and receivables, excluding insurance receivables and prepayments	724	45,560
Cash and cash equivalents	35,359	192
	<u>574,332</u>	<u>474,213</u>

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal assessment.

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Total RM'000
2022			
Investments:			
Held-to-maturity investments	21,498	-	21,498
Insurance receivables	496,699	20,052	516,751
Loans and receivables, excluding insurance receivables and prepayments	724	-	724
Cash and cash equivalents	35,359	-	35,359
	<u>554,280</u>	<u>20,052</u>	<u>574,332</u>
2021			
Investments:			
Held-to-maturity investments	22,002	-	22,002
Insurance receivables	380,641	25,818	406,459
Loans and receivables, excluding insurance receivables and prepayments	45,560	-	45,560
Cash and cash equivalents	192	-	192
	<u>448,395</u>	<u>25,818</u>	<u>474,213</u>

32. Financial instruments (continued)

32.4 Credit risk (continued)

32.4.1 Credit exposure (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties and those of internationally recognised rating agencies such as Fitch Ratings, A.M. Best and Standard and Poor's. AAA is the highest possible rating. Assets are classified as 'Not-rated' when the assets are unrated or the Company is unable to obtain the rating of the assets.

	AAA RM'000	AA RM'000	A RM'000	B RM'000	Not-rated RM'000	Total RM'000
2022						
Investments:						
Held-to-maturity investments	-	-	-	-	21,498	21,498
Insurance receivables	-	38,604	19,965	76	458,106	516,751
Loans and receivables, excluding insurance receivables and prepayments	-	-	-	-	724	724
Cash and cash equivalents	-	-	-	-	35,359	35,359
	-	38,604	19,965	76	515,687	574,332
2021						
Investments:						
Held-to-maturity investments	-	-	-	-	22,002	22,002
Insurance receivables	-	41,005	6,988	71	358,395	406,459
Loans and receivables, excluding insurance receivables and prepayments	-	-	-	-	45,560	45,560
Cash and cash equivalents	-	-	-	-	192	192
	-	41,005	6,988	71	426,149	474,213

32. Financial instruments (continued)

32.5 Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under normal and stressed conditions.

As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

32.5.1 Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual Interest rate/ Discount rate	Contractual cash flow RM'000	Up to a year* RM'000	1 - 5 years RM'000	Above 5 years RM'000	No maturity date RM'000
2022							
Insurance payables	164,908	-	164,908	164,908	-	-	-
Other payables	16,224	-	16,224	14,445	1,779	-	-
Lease liabilities	939	5%	998	868	130	-	-
	<u>182,071</u>		<u>182,130</u>	<u>180,221</u>	<u>1,909</u>	<u>-</u>	<u>-</u>
2021							
Insurance payables	104,167	-	104,167	104,167	-	-	-
Other payables	18,560	-	18,560	17,110	1,450	-	-
Lease liabilities	205	5%	220	109	111	-	-
	<u>122,932</u>		<u>122,947</u>	<u>121,386</u>	<u>1,561</u>	<u>-</u>	<u>-</u>

* Expected utilisation or settlement is within 12 months of the reporting date.

32. Financial instruments (continued)

32.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised of three types of exposures: currency risk, interest rate risk and other price risk.

32.6.1 Currency risk

The Company is exposed to foreign currency risk on reinsurance premiums and claims that are denominated in currencies other than the Malaysian Ringgit. The Company has exposure to the following currencies: United States Dollar, Philippines Peso, Singapore Dollar and Brunei Dollar.

Risk management objectives, policies and processes for managing the risk

As at the end of the reporting period, 1.99% (2021: 2.16%) of the Company's businesses are from overseas business. As such, the Company has minimal exposure to foreign currency risk, and currency risk sensitivity is not disclosed. The net reinsurance premiums due to the Company from foreign clients are deposited into a multi-currency bank account which would later be transferred to a Ringgit-denominated account.

32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.1 Currency risk (continued)

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	US Dollar RM'000	Philippines Peso RM'000	Thailand Baht RM'000	Singapore Dollar RM'000	Indonesian Rupiah RM'000	Brunei Dollar RM'000
2022						
Insurance receivables	62	144	-	5,803	-	(309)
Cash and cash equivalents	-	-	-	1	-	-
Insurance payables	(542)	(55)	(288)	-	111	-
	(480)	89	(288)	5,804	111	(309)
2021						
Insurance receivables	-	68	-	1,826	-	(151)
Cash and cash equivalents	3	-	-	1	-	-
Insurance payables	-	-	(283)	-	(7)	-
	3	68	(283)	1,827	(7)	(151)

32.6.2 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which solvency and profitability can be affected by an adverse movement in interest rates.

32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The Company does not have any variable rate investments and borrowings, and hence are not exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Company's significant interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2022	2021
	RM'000	RM'000
Fixed rate instruments		
- Investments (excluding zero coupon bond)	21,498	22,002
Short term deposits with licensed banks	35,165	100
	<u>56,663</u>	<u>22,102</u>

The Company's interest-bearing financial instruments are carried at amortised cost hence changes in interest rates have no impact to its carrying amount. As such, a sensitivity analysis for the impact of the rate changes to fair value is not performed.

32.6.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. Price risk can arise from investments in equity instruments and unit trust funds.

The Company's investment policy does not permit investment in equities and consequently has no exposure to the volatilities of the equity markets.

The Company invests in unit trust funds which fair value is quoted as the Net Asset Value (NAV) per unit in circularisation. The Company is exposed to the changes in NAV/unit of these funds.

The sensitivity analysis below shows the impact to equity for the change in NAV/unit.

Change in Variable		<-----Impact on equity----->	
		2022	2021
		RM'000	RM'000
NAV/unit	+10%	70,143	61,430
NAV/unit	- 10%	(70,143)	(61,430)

32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.4 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. Operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company mitigates operational risk by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

The Company has a Business Continuity Plan in place to ensure all aspects of the Company remain to be functioning in the midst of disruptive events. The Company also has a Disaster Recovery Plan which focuses on the technology systems that support various business functions.

32.7 Fair value information

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

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: no transfer in either directions).

Level 3 fair value

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities.

32. Financial instruments (continued)

32.7 Fair value information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2022										
Financial assets										
Held-to-maturity investments	-	-	-	-	-	22,469	-	22,469	22,469	21,498
Available-for-sale investments	701,426	-	-	701,426	-	-	-	-	701,426	701,426
	<u>701,426</u>	<u>-</u>	<u>-</u>	<u>701,426</u>	<u>-</u>	<u>22,469</u>	<u>-</u>	<u>22,469</u>	<u>723,895</u>	<u>722,924</u>
2021										
Financial assets										
Held-to-maturity investments	-	-	-	-	-	23,121	-	23,121	23,121	22,002
Available-for-sale investments	614,304	-	-	614,304	-	-	-	-	614,304	614,304
	<u>614,304</u>	<u>-</u>	<u>-</u>	<u>614,304</u>	<u>-</u>	<u>23,121</u>	<u>-</u>	<u>23,121</u>	<u>637,425</u>	<u>636,306</u>

33. Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect cedants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital Framework which is imposed by the Ministry of Finance pursuant to Section 13(1) of the Financial Services Act, 2013. Under this Framework, the Company is required to satisfy a minimum capital adequacy ratio of 130% and maintain a capital level that commensurate with the Company's risk profile. The Company has a capital adequacy ratio in excess of the minimum requirement.

The total capital available of the Company as at 31 December 2022, as defined under the Risk-Based Capital Framework is provided below:

	2022 RM'000	2021 RM'000
Tier 1 capital		
Share capital (paid up)	51,000	51,000
Retained profits	426,938	403,991
	<u>477,938</u>	<u>454,991</u>
Tier 2 capital		
Available-for-sale reserves	225	(11,432)
	<u>225</u>	<u>(11,432)</u>
Amounts deducted from capital	<u>(163)</u>	<u>(1,620)</u>
Total capital available	<u>478,000</u>	<u>441,939</u>

34. Reinsurance funds

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund in accordance with the Financial Services Act, 2013.

The reinsurance life business offers various reinsurance arrangements that are required by clients (cedants/retrocessionaires).

The Company's statement of financial position, profit or loss and information on cash flows comprising the Shareholders' and Life Funds are further analysed by funds as follows:

34. Reinsurance funds (continued)**Statement of Financial Position by Funds as at 31 December 2022**

	Shareholders' Fund		Life Fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Plant and equipment	-	-	730	1,002	730	1,002
Intangible assets	-	-	3,575	3,846	3,575	3,846
Right-of-use assets	-	-	885	190	885	190
Financial assets - Investments	224,389	174,501	498,535	461,805	722,924	636,306
Reinsurance assets	-	-	323,405	246,333	323,405	246,333
Insurance receivables	-	-	516,751	406,459	516,751	406,459
Loan and receivables, excluding insurance receivables	116	10,116	1,528	35,804	1,644	45,920
Current tax assets	6,165	5,570	-	(196)	6,165	5,374
Deferred tax assets	163	1,620	-	-	163	1,620
Cash and cash equivalents	199	4	35,160	188	35,359	192
	231,032	191,811	1,380,569	1,155,431	1,611,601	1,347,242
Amount due from life fund/(due to) shareholders' fund	246,614	227,484	(246,614)	(227,484)	-	-
Total assets	477,646	419,295	1,133,955	927,947	1,611,601	1,347,242
Equity, life fund and liabilities						
Total equity	477,646	419,295	517	24,264	478,163	443,559
Insurance contract liabilities	-	-	951,367	780,751	951,367	780,751
Insurance payables	-	-	164,908	104,167	164,908	104,167
Lease liabilities	-	-	939	205	939	205
Other payables	-	-	16,224	18,560	16,224	18,560
Total life fund and liabilities	-	-	1,133,438	903,683	1,133,438	903,683
Total equity, life fund and liabilities	477,646	419,295	1,133,955	927,947	1,611,601	1,347,242

34. Reinsurance funds (continued)**Profit or Loss by Funds for the year ended 31 December 2022**

	Shareholders' Fund		Life Fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	1,477	4,714	654,456	628,136	655,933	632,850
Gross reinsurance premiums	-	-	654,585	611,044	654,585	611,044
Premiums ceded to retrocessionaires	-	-	(208,474)	(187,717)	(208,474)	(187,717)
Net reinsurance premiums	-	-	446,111	423,327	446,111	423,327
Change in actuarial liabilities	-	-	(11,660)	(41,326)	(11,660)	(41,326)
Investment income - net	1,477	4,714	(129)	17,092	1,348	21,806
Realised (loss)/gains	(1,246)	(164)	248	268	(998)	104
Other operating income - net	-	(220)	3,719	4,084	3,719	3,864
Other income	231	4,330	3,838	21,444	4,069	25,774
Gross benefits and claims paid	-	-	(395,387)	(318,813)	(395,387)	(318,813)
Claims retroceded to retrocessionaires	-	-	121,354	114,153	121,354	114,153
Gross change to claims liabilities	-	-	(136,646)	(135,069)	(136,646)	(135,069)
Change in claims liabilities retroceded to retrocessionaires	-	-	54,762	42,826	54,762	42,826
Net claims incurred	-	-	(355,917)	(296,903)	(355,917)	(296,903)
Commission expense	-	-	(11,634)	(8,901)	(11,634)	(8,901)
Management expenses	(1)	(1)	(22,977)	(27,680)	(22,978)	(27,681)
Other expenses	(1)	(1)	(34,611)	(36,581)	(34,612)	(36,582)
	230	4,329	47,761	69,961	47,991	74,290
Transfer from Revenue Account	80,620	34,981	(80,620)	(34,981)	-	-
Profit/(Loss) before tax	80,850	39,310	(32,859)	34,980	47,991	74,290
Tax expense	(4,126)	(2,441)	-	(2,121)	(4,126)	(4,562)
Profit/(Loss) for the year	76,724	36,869	(32,859)	32,859	43,865	69,728

34. Reinsurance funds (continued)**Cash flows by Funds for the year ended 31 December 2022**

	Shareholders' Fund		Life Fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows (used in)/generated from:						
Operating activities	(40,573)	(6,778)	97,531	45,438	56,958	38,660
Investing activities	-	-	(152)	(463)	(152)	(463)
Financing activities	40,768	6,780	(62,407)	(44,890)	(21,639)	(38,110)
Net increase in cash and cash equivalents	195	2	34,972	85	35,167	87
Cash and cash equivalents at beginning of year	4	2	188	103	192	105
Cash and cash equivalents at end of year	199	4	35,160	188	35,359	192

35. Contingencies

On 22 February 2023, the Company received an audit findings letter from the Inland Revenue Board (“IRB”) on the results of IRB’s audit for the Years of Assessment (“YA”) 2017 to 2019. There were no audit findings for YA2017. The Company responded to the IRB’s audit findings letter for YA2018 and YA2019 by furnishing additional documents on 2 March 2023 and 3 March 2023. The IRB then responded on 7 March 2023 and the Company counter responded on 9 March 2023. As at the date of this report, the outcome is still undeterminable as the tax audits for YA2018 and YA2019 are still on-going.

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 20 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

.....
Ahmad Subri bin Abdullah

Director

.....
Toi See Jong

Director

Kuala Lumpur,

Date: 16 March 2023

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

**Statutory Declaration pursuant to
Section 251(1)(b) of the Companies Act 2016**

I, **Junaidah Mohd Sekak**, the Officer primarily responsible for the financial management of Malaysian Life Reinsurance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 97 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Junaidah Mohd Sekak, in Kuala Lumpur in the Federal Territory on 16 March 2023.

.....
Junaidah Mohd Sekak

Before me:

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 (LLP0010081-LCA & AF 0758)
 Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN LIFE REINSURANCE GROUP BERHAD

(Company No. 199701002371 (417867-K))
 (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Life Reinsurance Group Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 97.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 approved standards on auditing in Malaysia and International Standards on Auditing, 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 of the Company, 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 control.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control 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 internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 ability of the Company 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 of the Company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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 control that we identify during our audit.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor

Date: 16 March 2023

Foo Siak Chung
Approval Number: 03184/02/2024 J
Chartered Accountant