ASIA CAPITAL REINSURANCE
MALAYSIA SDN. BHD.
Company No. 200701004295 (762294 - T)
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(In Ringgit Malaysia)

Company No. 200701004295 (762294 - T)

ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the underwriting of general reinsurance business.

Effective from 5 December 2019, the Company has ceased the underwriting of new general reinsurance business and has run-off all its existing in-force policies.

RESULTS OF OPERATIONS

The results of operations of the Company for the financial year are as follows:

	RM'000
Profit before tax	38,515
Tax expense	(10,912)
Profit for the year	27,603

In the opinion of the Directors, the results of operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been declared or paid by the Company since the end of the previous financial year.

The Directors do not recommend any final dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than those as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company completed a share capital reduction exercise, as disclosed in Note 11 to the financial statements.

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the sum insured of the insurance for indemnity covered for the Directors and Officers under Catalina Holdings (Bermuda) Master D&O Insurance program is USD50 million (approximately RM210 million) including branches, subsidiaries and all related companies. The Company does not extend the cover to the auditors.

PROVISION FOR INSURANCE LIABILITIES

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers.

OTHER STATUTORY INFORMATION

Before the statement of profit or loss and other comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowances has been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

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

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company for the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Datuk Mohd Najib Bin Hj. Abdullah
Martin Andreas Kauer

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office as at 31 December 2021 had any interest in the ordinary shares or debentures of the Company and of its related corporations during or at the beginning and end of the financial year.

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 a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 23 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) 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.

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.

BOARD OF DIRECTORS

The following is the details and the meeting attendance of each Director at board and board committee meetings during the financial year:

1. **Board of Directors Meeting**

Name	**Attendance**
Non-Independent Executive Directors	
Martin Andreas Kauer	4/5
Independent Non-Executive Directors	
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Chairman)	5/5
Datuk Mohd Najib Bin Hj. Abdullah	5/5

2. **Audit Committee Meeting**

Name	**Attendance**
Datuk Mohd Najib Bin Hj. Abdullah (Chairman)	3/3
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	3/3

The maximum tenure of an Independent Non-Executive Director ("INED") shall be upon him having served 9 years from the date of his first appointment as Director or upon the expiry of his prevailing term of appointment as Director as approved by Bank Negara Malaysia ("BNM"), whichever is the later date.

Upon reaching such maximum tenure, the INED shall, subject to approval of BNM for his re-appointment as Director, remains as a Director but shall be re-designated as Non-Independent Non-Executive Director.

All Board members have complied with the requirement of serving on the Board of not more than fifteen companies.

Profile of Directors

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

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir
Independent Non-Executive Director/The Chairman of Board of Directors

Datuk Dr. Syed Muhamad bin Syed Abdul Kadir ("Datuk Dr. Syed Muhamad"), graduated with a Bachelor of Arts (Hons.) from University Malaya in 1971. He obtained a Masters of Business Administration from the University of Massachusetts, USA in 1977 and proceeded to obtain a PhD (Business Management) from Virginia Polytechnic Institute and State University, USA in 1986. In 2005, he obtained a Bachelor of Jurisprudence (Hons.) from University Malaya. He obtained the Certificate in Legal Practise in 2008 from the Malaysian Professional Legal Board. He was admitted as an Advocate and Solicitor of the High Court of Malaya in July 2009, and obtained the Master of Law (Corporate Law) from Universiti Teknologi Mara (UiTM) in December 2009. In June 2011, he became a member of The Chartered Institute of Arbitrators, United Kingdom and in May 2012, he became the fellow of the said Institute.

He started his career in 1973 as Senior Project Officer, School of Financial Management at the National Institute of Public Administration (INTAN) and held various positions before his final appointment as Deputy Director (Academic). In November 1988, he joined the Ministry of Education as Secretary of Higher Education and thereafter assumed the post of Deputy Secretary (Foreign and Domestic Borrowing, Debt Management), Finance Division of the Federal Treasury. From June 1993 to June 1997, he joined the Board of Directors, Asian Development Bank, Manila, Philippines, first as Alternate Director and later as Executive Director.

Datuk Dr. Syed Muhamad then joined the Ministry of Finance as Secretary (Tax Division) and subsequently became the Deputy Secretary General (Operations) of Ministry of Finance. Prior to his retirement, Datuk Dr. Syed was Secretary General, Ministry of Human Resource from August 2000 to February 2003.

During his career, he wrote and presented many papers relating to human resource development. His special achievement was that his dissertation "A Study on Board of Directors and Organizational Effectiveness" was published by Garland Publisher, Inc. of New York in 1991.

Datuk Dr. Syed is the Chairman of Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad. He is also a Director of Malakoff Corporation Berhad, Export-Import Bank of Malaysia Berhad and Solution Group Berhad.

Datuk Mohd Najib Bin Hj. Abdullah
Independent Non-Executive Director

Datuk Mohd Najib Bin Hj. Abdullah ("Datuk Mohd Najib") is currently the Chairman of Etiqa General Insurance Berhad, Etiqa Life Insurance Berhad and Etiqa General Insurance (Cambodia) Plc. He is also a board member of Maybank Ageas Holdings Berhad.

Datuk Mohd Najib was formerly Group Managing Director of the Malaysian Industrial Development Finance Berhad, Chief Executive Officer of MIDF Amanah Investment Bank Berhad and the Chief Executive Officer/Executive Director of Malaysia National Insurance Berhad. He started his career as a Management Accountant with Hewlett Packard, and later served in Citigroup/Citibank whereby he had held several senior management roles.

His Majesty Seri Paduka Baginda Yang di-Pertuan Agong conferred the "Panglima Jasa Negara" to Datuk Mohd. Najib in June 2010 and His Majesty Tuanku Raja Perlis conferred the "Dato' Paduka Mahkota Perlis" in May 2013.

Martin Andreas Kauer
Non-Independent Executive Director

Mr Martin Andreas Kauer ("Mr Kauer") currently serves as the Chief Executive Officer and Executive Director of Asia Capital Reinsurance Group Ptd. Ltd., Singapore. He is also a board member of ACRR Sendirian Berhad.

Mr Kauer is a senior finance professional with more than 30 years of experience as Chief Executive Officer/Chief Financial Officer/Chief Operating Officer in the financial services industry and as investment banker; throughout his career he has been successfully working in multi-cultural environments. He was Director, Chief Executive Officer and Chief Financial Officer of Glacier Re, a licensed reinsurer, that focuses on non-life run-off consolidation.

Mr Kauer holds a Master of Arts UZH in Business Administration, magna cum laude from University of Zurich, Zurich (Switzerland).

Trainings attended

The following are the trainings attended by the Directors:

- Cyber Drill Exercise
- BNM Engagement Session with CEOs/Chairman of Insurance Companies/Takaful Operators and Insurance/Takaful Associations
- Directors Training on Enterprise Risk Management
- BNM-FIDE Forum-MASB Dialogue on MFRS 17 Insurance Contracts: What Every Director Must Know
- Asia-Pacific Board Leadership Centre Webinar on Board and Audit Committee Priorities 2021
- FIDE Forum Interview Session
- Briefing Session with EXIM Bank BOD on Multi Factor Authentication ("MFA") & Credit Risk Management System ("CRMS")
- Invitation as a Panelist - Corporate Board Leadership Symposium 2021 on Board Assessment – Advantage of Internal vs External Facilitation
- Meeting between BNM, Assistant Governor with CEOs and Chairmans of DFIs on Socialisation of Policy Document on Corporate Strategic Plan
- Training for all Board of Directors of MARA Corporation Group of Companies on Understanding of Corporate Liability Provision and Adequate Procedure
- The Malaysian Code on Corporate Governance– Updated 28 April 2021
- KPMG Webinar on Transfer Pricing War Stories
- FIDE Forum - The Board's Role & Responsibilities in Crisis Communication
- Khazanah Megatrends Forum 2021
- Fraud Risk Management Workshop 2021
- IFRS 17 Transition Approach for ELIB
- Rethinking Our Approach to Cyber Defence in FIs
- Board Effectiveness Evaluation Industry Briefing
- Group Strategy Offsite
- FY2021 Etiqa Risk Landscape Workshop
- IFRS 17 Webinar: The Journey Ahead for Life Insurers
- Alien Thinking: The Unconventional Path to Breakthrough Thinking
- ESG Ratings & Green Revenues: Data Tools for Investing
- Diversity Day
- Dialogue On the Role of Independent Director
- US - China Rivalry & the New Geopolitics in ASEAN
- Dialogue On The Future of Malaysia's Financial Sector
- JC3 Flagship Conference 2021: Sustainability as a business strategy for
- Annual Board Risk Workshop
- Innovate to Win: Learn from the IOC and UEFA to Create a Creative Culture of Success
- Risk Management in Technology: Insights 1 year on
- Strategic Agility: The Art of Piloting Initiatives

(Forward)

- Rising Above Covid-19: Reimagining Work in Malaysia & Beyond
- Risk-Based Capital Framework for Insurers and Takaful Operators
- The Right Place on "How National Competitiveness Makes or Breaks Companies"
- PNB Knowledge Forum 2021 - Climate Change: A New Green Deal for Malaysia
- Dialogue with Governor of Bank Negara Malaysia

Statement on corporate governance and internal controls

*i) **Board responsibilities***

In discharging its duties, the Board of Directors ("the Board") is responsible for ensuring compliance with the Financial Services Act 2013, BNM's Guidelines and other directives. The Board also has taken concerted steps to ensure compliance with BNM's guideline on Corporate Governance (BNM/RH/PD 029-9) issued on 3 August 2016.

The duties and responsibilities of the Board are as follows:

(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;

(ii) Oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), 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 Company'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 behaviour;

(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; and

(vii) Promote timely and effective communication between the Company and the BNM on matters affecting or that may affect the safety and soundness of the Company.

The following is the Committee established to assist the Board in discharging its responsibilities:

Audit Committee

The Audit Committee ("AC"), comprising non-executive and independent members of the Board, meets regularly and a total of three (3) meetings were held during the year ended 31 December 2021. AC reviews the annual audited financial statements of the Company which is then tabled to the Board for approval. The activities of the AC are governed by its Terms of Reference that are approved by the Board.

The duties and responsibilities of the AC are as follows:

(i) To review and report the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its works;

(ii) To review the results of the Company's internal audit procedures and the adequacy of actions taken by the management based on the reports;

(iii) To ensure that the external auditors fulfil the minimum qualification criteria set by BNM and make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors (including their remuneration, terms of engagement and scope of the external audit);

(iv) To review the external and internal audit plans; and assess the effectiveness of the audit process, discuss with the external and internal auditors the findings of their work and any major issue that arose during the course of the audit or any other matters which the auditors may wish to discuss;

(v) To review and approve non-audit services rendered by the external auditors;

(vi) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval;

(vii) To review the adequacy and effectiveness of risk management and internal control systems instituted within the Company;

(viii) To review any related party transactions and conflicts of interest situations that may arise within the Company;

(ix) To perform any other functions as may be agreed by the AC and the Board of Directors.

*ii) **Management accountability***

Whilst the Board is responsible for creating the framework and policies within which the Company should operate, the management is accountable for the execution of the enabling policies and attainment of the Company's corporate objectives.

*iii) **Corporate independence***

All material related party transactions have been disclosed in Note 25 to the financial statements.

*iv) **Risk management framework***

The Company maintains a risk management framework that is designed to be consistent with the basic principles of sound management practices.

The framework is made of a Policy Statement that is implemented and monitored by using a "five-line-of-defence" model. The model comprises five (5) elements of risk governance, which are as follows:

- Business units and operation team: the first line of defence – Primarily responsible for risk identification and management;

- Independent risk management and compliance functions: the second line of defence – Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed;

- Internal audit function: the third line of defence – Independent and objective assurance on the robustness of the risk management framework and the appropriateness and effectiveness of internal control is provided;

- Management and CEO: the fourth line of defence – Establish clear guidance on business and risk strategy and ensure effective risk controls; and

- Board Risk assessment: the fifth line of defence – Provide effective oversight to ensure consistency with risk strategy and policies and leading the tone-at-the-top to ensure sound control environment.

*v) **Financial reporting***

The Directors are responsible for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), accounting principles generally accepted in Malaysia, the Companies Act 2016, and the Financial Services Act, 2013.

*vi) **Public accountability***

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Remuneration policy

In line with best practice to ensure appropriate levels of remuneration to directors and employees,

(a) the management has conducted a limited survey on the fees for Non-Executive Directors paid by other insurance and reinsurance companies of Malaysia. The information obtained is used as a guide for the Board to determine the fees payable to the Company's Non-Executive Directors.

(b) the management had used the an annual salary benchmarking information provided by Asia Capital Reinsurance Group Pte Ltd, the immediate holding company's Human Resource department ("HR") to guide the annual salary levels and increments appropriate for the Company's employees.

Remuneration Structure

Salary

All employees in the Company receive a fixed salary, consisting of a base salary paid monthly according to the position and function. The salary level is evaluated on an annual basis with no secure or contractual increase.

Employees Benefits

Employee benefits are optional, non-wage compensation provided to employees in addition to their normal wages or salaries. These types of benefits may include group insurance, maternity, education assistance, leave, mobile, parking and etc.. The entitlement may vary by the level positions in the Company. These benefits may be amended, removed or increased at the discretion of the Company.

Performance Bonus

The Company uses variable cash remuneration in the form of performance bonuses to incentivise and reward high and sustainable performances. The Company does not award guaranteed bonuses. The bonuses granted for the year reflect performances relative to the financial and non-financial key performance indicators ("KPIs") and target set in the business plan.

The Company does not have any clawback arrangements with the employees. To mitigate risks, the Company subscribes to prudent remuneration practices.

Performance measures and the link to strategy

Performance metrics adopted include financial KPIs linked to the achievement of the Company's strategy and goals.

Non-financial KPIs are part of the individual KPIs for staff, including KPIs for Governance Building the Company, Leadership and Teamwork, identifying agreed projects or initiatives which serve to increase the Company's sustainability and capability in the future.

Once the Corporate KPIs are agreed, the CEO will cascade the key performance indicators down to the rest of the Management team, and set supplementary key performance indicators for each of his reporting business/functional units.

Then, manager and employee jointly set KPIs aligned with the Corporate targets and agree on KPIs weightage.

Each employee performance assessment will be measured on the KPIs and company core values.

Material Risk Takers

Material risk takers as defined by BNM in its policy document on Corporate Governance are employees who may or may not be a member of the senior management and:

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

As defined above, the Company's material risk takers comprise of employees undertaking the following roles:

1. CEO
2. Head of Finance
3. Head of Enterprise Risk Management ("ERM") and Compliance
4. Head of Claims

(Forward)

Table A		
Total value of remuneration awards for the financial year	**Unrestricted**	**Deferred**
	RM	**RM**
Fixed remuneration		
• Cash-based	1,123,852	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil
Variable remuneration		
• Cash-based	211,024	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil

IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES

The Company is a wholly owned subsidiary of Asia Capital Reinsurance Group Pte. Ltd, a company incorporated in Singapore, which is regarded by the Directors as the immediate holding company. The Directors regard Catalina Holdings (Bermuda) Ltd., a company incorporated in Bermuda, as the ultimate holding company.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

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

DATUK DR. SYED MUHAMAD
BIN SYED ABDUL KADIR

DATUK MOHD NAJIB
BIN HJ. ABDULLAH

Kuala Lumpur,

28 MAR 2022

Deloitte

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.**, which comprise the statement of financial position of the Company as at 31 December 2021, 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 and other explanatory information, as set out on pages 19 to 98.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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.

(Forward)

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 Report of the Directors, 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 Report of the Directors 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 Report of the Directors and, in doing so, consider whether the Report of the Directors 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 performed, we conclude that there is a material misstatement of this Report of the Directors, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

(Forward)

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.

- 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 Company's internal control.

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements 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 represent the underlying transactions and events in a manner that achieves fair presentation.

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.

(Forward)

Other Matters

(a) This report is made solely to the member 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 contents of this report.

(b) The financial statements of the Company for the financial year ended 31 December 2020 were audited by another firm of auditors whose report dated 29 March 2021 expressed an unqualified opinion.

Deloitte PLT

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

KOK PEI LOO
Partner - 03524/08/2022 J
Chartered Accountant

Kuala Lumpur,
28 March 2022

ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Property and equipment	3	8,117	8,235
Right-of-use assets		36	57
Investment properties	4	24,660	30,150
Investments	5	169,373	172,515
Reinsurance assets	6	105,442	173,424
Insurance receivables	7	45,237	43,626
Other receivables and prepayments	8	1,853	1,564
Deferred acquisition costs	9	18	415
Cash and cash equivalents	10	40,176	199,706
Total assets		394,912	629,692
Equity and Liabilities			
Equity			
Share capital	11	125,000	275,000
Reserves	11	78,587	55,077
Total equity		203,587	330,077
Liabilities			
Insurance contract liabilities	12	174,681	269,298
Lease liabilities		36	57
Insurance payables	13	4,834	18,346
Other payables	14	5,629	6,232
Tax liabilities		4,956	2,691
Deferred tax liabilities	15	1,189	2,991
Total liabilities		191,325	299,615
Total equity and liabilities		394,912	629,692

The accompanying Notes form an integral part of the Financial Statements.

ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 RM'000	2020 RM'000
Operating revenue	16	17,859	32,722
Gross earned premiums	17,12(b)	16,872	57,294
Premiums ceded to reinsurers	12(b)	(12,040)	(40,542)
Net earned premiums	17	4,832	16,752
Investment income	18	7,168	17,088
Net realised gains on available-for-sale financial assets	19	1,503	8,030
Commission income	20	1,354	8,339
Other operating income	22	2,870	2,585
Other revenue		12,895	36,042
Gross benefits and claims paid		(47,614)	(105,149)
Claims ceded to reinsurers		55,358	73,193
Change in gross contract liabilities		88,436	134,941
Change in contract liabilities ceded to reinsurers		(63,859)	(94,940)
Net claims incurred		32,321	8,045
Commission expenses	20	(4,072)	(14,014)
Fair value losses	21	(290)	(2,120)
Management expenses	23	(7,171)	(8,013)
Other operating expenses	22	-	(3,351)
Other expenses		(11,533)	(27,498)
Profit before tax		38,515	33,341
Tax expense	24	(10,912)	(9,764)
Profit for the year		27,603	23,577
Profit for the year, attributable to equity holders of Company		27,603	23,577

(Forward)

	Note	2021 RM'000	2020 RM'000
Profit for the year		27,603	23,577
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss			
- Surplus/(Deficit) on property revaluation		88	(554)
Items that may be reclassified subsequently to profit or loss			
Fair value of available-for-sale financial assets			
- (Loss)/Gains arising during the year		(3,971)	5,712
- Reclassification adjustments for gains included in profit or loss		(1,503)	(8,030)
	5(b)	(5,474)	(2,318)
		(5,386)	(2,872)
Tax effect thereon:			
Items that will not be reclassified subsequently to profit or loss			
- (Surplus)/Deficit on property revaluation		(21)	133
Items that may be reclassified subsequently to profit or loss			
Fair value of available-for-sale financial assets			
- Loss/(Gains) arising during the year		953	(1,526)
- Reclassification adjustments for gains included in profit or loss		361	1,928
		1,314	402
Total other comprehensive loss for the year, net of tax		(4,093)	(2,337)
Total comprehensive income for the year attributable to equity holders of Company		23,510	21,240

The accompanying Notes form an integral part of the Financial Statements.

ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Non-Distributable				
	Share capital RM'000	**Property revaluation reserve RM'000**	**Fair value reserve RM'000**	**Distributable reserve - Retained earnings RM'000**	**Total equity RM'000**
As at 1 January 2020	275,000	2,742	6,735	24,360	308,837
Profit for the year	-	-	-	23,577	23,577
Other comprehensive income/(loss):					
Fair value of available-for-sale financial assets					
Gain arising during the year	-	-	4,186	-	4,186
Reclassification adjustments for losses included in profit or loss	-	-	(6,102)	-	(6,102)
Surplus on property revaluation	-	(421)	-	-	(421)
Total comprehensive income for the year	-	(421)	(1,916)	23,577	21,240
As at 31 December 2020	275,000	2,321	4,819	47,937	330,077
	Note 11	Note 11	Note 11	Note 11	

	Non-Distributable				
	Share capital RM'000	**Property revaluation reserve RM'000**	**Fair value reserve RM'000**	**Distributable reserve - Retained earnings RM'000**	**Total equity RM'000**
As at 1 January 2021	275,000	2,321	4,819	47,937	330,077
Profit for the year	-	-	-	27,603	27,603
Other comprehensive income/(loss):					
Fair value of available-for-sale financial assets:					
Loss arising during the year	-	-	(3,018)	-	(3,018)
Reclassification adjustments for losses included in profit or loss	-	-	(1,142)	-	(1,142)
Surplus on property revaluation	-	67	-	-	67
Total comprehensive income for the year	-	67	(4,160)	27,603	23,510
Reduction of share capital (Note 11)	(150,000)	-	-	-	(150,000)
As at 31 December 2021	125,000	2,388	659	75,540	203,587
	Note 11	Note 11	Note 11	Note 11	

The accompanying Notes form an integral part of the Financial Statements.

Company No. 200701004295 (762294 - T)

ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RM'000	2020 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	38,515	33,341
Adjustments for:		
Depreciation of right-of-use-assets	21	22
Depreciation of property and equipment	216	252
Gain on disposal of investment properties	(608)	-
Investment income	(6,947)	(16,348)
Gain on disposal of investments, net	(1,503)	(8,030)
Accretion of discounts	(174)	(123)
Amortisation of premiums	570	422
Fair value loss on investment properties	290	2,120
Unrealised (gain)/loss on foreign exchange for investments	(566)	278
Bad debts written off	112	222
Reversal of impairment loss of insurance receivables	(77)	(98)
Operating Profit Before Changes in Working Capital	29,849	12,058
Purchase of securities/investments	(83,569)	(52,234)
Proceeds from disposal of securities/investments	82,910	252,282
Decrease in reinsurance assets	67,982	120,478
Decrease in deferred acquisition costs	397	3,255
(Increase)/Decrease in receivables	(1,977)	29,104
Decrease in insurance contract liabilities	(94,617)	(176,601)
Decrease in payables	(14,115)	(34,039)
Cash (Used In)/Generated From Operations	(13,140)	154,303
Tax paid	(9,156)	(7,667)
Interest received	6,989	18,027
Net Cash (Used In)/From Operating Activities	(15,307)	164,663
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment	(10)	(2)
Proceeds from disposal of investment properties	5,808	-
Net Cash From/(Used In) Investing Activities	5,798	(2)

(Forward)

	Note	2021 RM'000	2020 RM'000
CASH FLOW USED IN FINANCING ACTIVITIES			
Payment of lease liabilities		(21)	(22)
Repayment to immediate holding company from reduction of share capital		(150,000)	-
Net Cash Used In Financing Activities		(150,021)	(22)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(159,530)	164,639
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		199,706	35,067
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	40,176	199,706

Reconciliation Of Movements In Lease Liabilities To Cash Flows

Amounts recognised in statement of cash flows

	2021 RM'000	2020 RM'000
Included in net cash used in financing activities:		
Payment of lease liabilities	21	22
Total cash outflows for leases	21	22

The accompanying Notes form an integral part of the Financial Statements.

1. GENERAL INFORMATION

Asia Capital Reinsurance Malaysia Sdn. Bhd. is a limited liability company, incorporated and domiciled in Malaysia.

The Company is principally engaged in underwriting general reinsurance business. Effective from 5 December 2019, the Company has ceased the underwriting of new general reinsurance business and has run-off all its existing in-force policies.

The immediate and ultimate holding companies during the financial year are Asia Capital Reinsurance Group Pte. Ltd. and Catalina Holdings (Bermuda) Ltd., incorporated in Singapore and Bermuda respectively.

The principal place of business and registered office of the Company are both located at Unit A-12A-8, Level 12A, Menara UOA Bangsar, 5 Jalan Bangsar Utama 1, 59000 Kuala Lumpur.

The financial statements have been authorised by the Board of Directors and approved for issuance on 28 March 2022.

2(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act, 2016 and the Financial Services Act, 2013 in Malaysia.

Adoption of Amendments to MFRSs

In the current financial year, the Company has adopted all the Amendments to MFRSs issued by the Malaysian Accounting Standard Board ("MASB") and effective for an annual financial periods beginning on or after 1 January 2021 as follows:

Amendments to MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2

The adoption of these Amendments to MFRSs did not result in significant changes in the accounting policies of the Company and has no significant effect on the financial performance or position of the Company.

New and Revised Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised MFRSs and Amendments to MFRSs, which were in issue but not yet effective and not early adopted by the Company are as listed below:

MFRS 17	Insurance Contracts[4]
Amendments to MFRS 3	Reference to the Conceptual Framework[2]
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[1]
Amendments to MFRS 17	Insurance Contracts[4]
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information[4]
Amendments to MFRS 101	Classification of Liabilities as Current and Non-Current[4]
Amendments to MFRS 101	Disclosure of Accounting Policies[4]
Amendments to MFRS 108	Disclosure of Accounting Estimates[4]
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective immediately for annual periods beginning before 1 January 2023.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] Effective date deferred to a date to be determined and announced by MASB.

The directors anticipate that the abovementioned new MFRSs and Amendments to MFRSs will be adopted in the annual financial statements of the Company when they become effective and that the initial application of the abovementioned new Standards, Amendments to MFRSs are not expected to have any material impacts to the financial statements of the Company except as mentioned below:

MFRS 9 *Financial Instruments* and Amendments to MFRS 4 *Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The Amendments to MFRS 4 allow two alternatives to address the transitional challenges from different effective dates of MFRS 9 and the proposed new standard on insurance contracts, MFRS 17 *Insurance Contracts*. The Amendments introduced two additional voluntary options, namely an overlay approach and a deferral approach to be applied subject to certain criteria being met, which help to address temporary volatility in reported results of entities dealing with insurance contracts.

The overlay approach involves the option to recognise the possible volatility in other comprehensive income, instead of profit or loss, whilst the deferral approach provides temporary exemption from applying MFRS 9 for entities whose activities are predominantly connected with insurance contracts until the earlier of the effective date of the proposed new standard on insurance contracts and the annual reporting periods beginning on or after 1 January 2023.

The Company has elected to apply the temporary exemption from MFRS 9 that permits, but does not require, the Company to apply MFRS 139 *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for its annual periods beginning before 1 January 2023. An insurer may apply the temporary exemption from MFRS 9 if:

(i) it has not previously applied any version of MFRS 9 before; and
(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The Company has not adopted any version of MFRS 9 as of the date of these financial statements and its carrying amount of an entity's liabilities arising from contracts within MFRS 4's scope is significant. The Company has performed the reassessment and it qualifies for the temporary exemption from MFRS 9 under the Amendments to MFRS 4. The percentage of the total carrying amount of its liabilities as of 31 December 2021 is 91.3%.

Based on the initial assessment undertaken by the Company, the following are the designation and valuation of the financial assets if MFRS 9 was adopted at the end of the reporting period. The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change.

	New classification under MFRS 9
Investments	
Corporate debt securities*	Fair value through other comprehensive income ("OCI")
Insurance receivables	Amortised cost
Other receivables (excluding prepayments)	Amortised cost
Cash and cash equivalents	Amortised cost

* *Assuming these instruments are held for both collecting contractual cash flows and for selling and are expected to give rise to cash flows representing solely payments of principal and interest.*

MFRS 17 *Insurance Contracts*

MFRS 17 was issued in August 2017 to supersede MFRS 4 *Insurance Contracts*. MFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

The key principles in MFRS 17 are that an entity:

- Identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.

- Identifies portfolio of insurance, which comprises contracts that are subject to similar risks and managed together.

- Recognises and measures groups of insurance contracts at:

    (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

    (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin).

- Recognises the profit from the group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately.

- Presents separately insurance revenue, insurance service expenses and insurance finance income or expenses.

- Discloses information to enable users of financial statements to assess effect that contracts within scope of MFRS 17 have on the financial position, financial performance and cash flows of an entity. An entity discloses qualitative and quantitative information about: (i) the amounts recognised in its financial statements from insurance contracts; (ii) the significant judgements, and changes in those judgements, made when applying the Standard; and (iii) the nature and extent of the risks from contracts within the scope of this Standard.

On 17 August 2020, the MASB issued Amendments to MFRS 17 which related to the new effective date of MFRS 17 to commence from annual periods beginning on or after 1 January 2023. Amendments to MFRS 17 was issued by the MASB in respect of its application in Malaysia, which is equivalent to the Amendments to IFRS 17 as issued by the IASB.

The Directors anticipate the initial application of MFRS 17 will result in changes to the accounting policies relating to insurance contracts. Additional disclosures will also be made with respect of insurance contracts, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Company's financial statements in the period of initial application as the Company has yet to complete its detailed assessment. The Company does not plan to early adopt MFRS 17.

2(b) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of accounting

The financial statements of the Company have been prepared on historical cost convention otherwise indicated in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(b) **Foreign currency**

(i) **Functional and presentation currency**

The 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.

(ii) **Foreign currency transactions**

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 rate at that date.

(c) **Property and equipment**

(i) **Recognition and measurement**

Items of property and equipment are measured at cost/valuation less any 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 property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

The Company revalues its buildings every 5 years or at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

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

(ii) **Subsequent costs**

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the 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 property and equipment are recognised in profit or loss as incurred.

(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 property and equipment from the date that they are available for use.

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

Buildings	50 years
Computer equipment	3 years
Office equipment	3 years
Furniture, fittings and renovations	3 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company 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 Company has the right to direct the use of the asset if either the Company has the right to operate the asset; or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) **Recognition and initial measurement**

(a) **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 lease 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.

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 some leases of low-value assets (e.g. printing and photostat machines). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) **As a lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

(ii) **Subsequent measurement**

(a) **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.

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, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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.

(b) **As a lessor**

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'investment income'.

(e) **Investment properties**

(i) **Investment properties carried at fair value**

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

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

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

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

(ii) **Reclassifications to/from investment properties carried at fair value**

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

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.,

(f) **Financial instruments**

(i) **Initial recognition and measurement**

A financial asset or a 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 at 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.

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

The Company categorises financial instruments as follows:

Financial assets

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

Loans and receivables category comprises debt instruments that are not quoted in an active market which includes deposits with financial institutions and other receivables.

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

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

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other 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) ***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.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(b)(f)(iv), have been met.

All financial assets are subject to review for impairment (see Note 2(b)(f)(i) and (ii)).

Financial liabilities

All financial liabilities (including insurance payables) 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 held for trading, 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.

Other 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.

(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 market place 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 control of the asset is not retained or substantially all risks and rewards of the financial asset is transferred to another party. On derecognition of a financial asset, the difference between the carrying amount 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. 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.

(g) **Impairment**

(i) **Financial assets, excluding insurance receivables**

All financial assets are assessed at the end of each reporting period 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 2(b)(g)(ii) below) 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.

(ii) **Insurance receivables**

Insurance receivables are assessed at the end of each reporting period 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 ("BNM").

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 investment properties measured at fair value) 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. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro-rata* basis.

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 year in which the reversals are recognised.

(h) **Product classification**

The Company issues contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the cedants) by agreeing to compensate the cedants if a specified uncertain future event (the insured event) adversely affects the cedants. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance 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 expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract, or if the host insurance contract is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

(i) **Reinsurance**

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

Ceded reinsurance arrangements do not relieve the Company from its obligations to cedants. Premiums and claims are presented on a gross basis for both ceded 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 reinsurer. The impairment loss, if any, is recorded in profit or loss.

Gains or losses on buying reinsurance are recognised in profit or loss immediately at the date of purchase and are not amortised.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(j) **General insurance underwriting results**

The general insurance underwriting results are determined after taking into premiums, commissions, unearned premiums and claims incurred.

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

(i) **Facultative business**

Premium from facultative business, including premium in the pipeline is recognised as income on the inception date.

(ii) **Treaty business**

Premium from treaty business, including premium in the pipeline is recognised on an accrual basis. Management of the Company is of the view that the policy gives a true and fair view of the financial position and the results of its operations as it accords with the accrual basis of accounting, resulting in consistently four quarters of treaty business being recognised in a particular financial year.

Provision for Unearned Premiums

Provision for unearned premiums is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation.

Unearned Premium Reserves

The UPR represents the portion of net premium income of reinsurance policies written that relates to the unexpired periods of the policies at the end of the reporting period.

In determining the UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium is used. The methods used at the end of the current and previous reporting period are set out below.

Malaysian and Non-Malaysian Business – method prescribed by BNM

In prior years, the "1/8" method was applied to premiums for Malaysian and Non-Malaysian policies. However, as the Company has commenced its run-off business since December 2019 and no longer underwrite any new business since then, the booked premium would have been fully earned and no UPR is required if the risk-attaching policies have expired.

This is further adjusted for reinsurance ceded to foreign reinsurers by deducting the lower of:

(i) the premium ceded to foreign reinsurers as required under the guidelines issued by BNM; and

(iii) the deposits retained from foreign reinsurers for which premiums are accounted during the preceding twelve months.

Therefore, the Company has applied the IFRS earning pattern to the booked premiums in the current financial year.

Unexpired Risk Reserves

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 insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

(k) **Insurance contract liabilities**

General insurance contract liabilities comprise outstanding claims provision and provision for unearned premiums.

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other 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 end of the reporting period. 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 may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

(l) **Acquisition cost and deferred acquisition costs ("DAC")**

The cost of acquiring and renewing reinsurance policies 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. 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.

Subsequent to initial recognition, these costs are amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at the end of each reporting period or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss.

DAC is derecognised when the related contracts are either settled or disposed off.

(m) **Other income recognition**

(i) **Interest income**

Interest income is recognised on an accrual basis using the effective yield method in profit or loss. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument.

(ii) **Realised gains and losses on investments**

Realised gains and losses recorded in profit or loss on investments include gains and losses on investment in available-for-sale financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(n) **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 profit-sharing plans 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) **State plans**

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

(o) **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 fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(p) **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.

(q) **Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the 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 the 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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(b)(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at 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) **Fair value measurements**

Fair value of an asset or a liability, except for 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 value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access 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 transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2(c) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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 as follows:

(i) **Claims and premiums liabilities**

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

(a) **Process in determining claims liabilities**

The Company determines the claims liabilities in accordance with the Risk-Based Capital Framework as well as internationally recognised practices. The assumptions used in the estimation of insurance contract liabilities are intended to result in a provision which is sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

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

Provision is made at the end of the reporting period for the expected ultimate cost of settlement for all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses plus a "Provision of Risk Margin for Adverse Deviation" ("FPRAD") at 75% probability of adequacy.

The data used for determining the expected ultimate claims liability is collated internally based on information received from cedants relating to business underwritten by the Company. This is further supplemented by externally available information on industry statistic and trends plus internal pricing loss assumptions used in the pricing model, where available.

The Company's reserving methodology is intended to result in the expected outcome for the ultimate loss settlement for each type and class of business. The Company also considers the nature of the risk underwritten, geographical location, sum insured, and previous experience to estimate expected loss ratios for each class of business and underwriting year. The derived expected loss ratios are checked to ensure that they are consistent with observable market trends, internal pricing loss ratios or other market information, as considered necessary.

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

The Company systematically and periodically reviews the provisions established and adjusts the loss estimation process in an effort to achieve minimum variation between the actual final outcome and the original projection. The provision for outstanding claims liabilities have been determined in current values.

In estimating the claims liabilities, the selected Ultimate Loss Ratios ("ULRs") for each reserving cohort have been based on Estimated Loss ratio, Link Ratio and Bornhuetter-Ferguson methods. Triangulations have been built for all lines of business. The selected ULR is then applied to Net Earned Premium ("NEP") in order to project the amount of ultimate loss for each underwriting year. The ultimate loss amount is then reduced by claims paid or incurred for known claims for each underwriting year in order to estimate the amount of Incurred But Not Reported ("IBNR") losses.

(b) **Process in determining premium liabilities**

The Company determines the premium liabilities based on the higher of unearned premium reserves ("UPR") and unexpired risk reserves ("URR") at the required risk margin of adverse deviation.

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 insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium refunds.

(ii) **Valuation of buildings and investment properties**

Building and investment properties of the Company are reported at valuation which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining the factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

Please refer to the details in Notes 3 and 4 respectively.

(iii) **Recoverability of insurance receivables**

Recoverability of the insurance receivables is determined based on the evaluation of collectability and aging analysis of individual accounts and on management's estimate, based on actual collections. A considerable amount of judgement is required on assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history with individual cedant. If the financial conditions of the cedants with which the Company deals were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

3. PROPERTY AND EQUIPMENT

	Buildings RM'000	Computer equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Total RM'000
Cost/Valuation						
As at 1 January 2020	9,030	1,302	213	259	368	11,172
Addition	-	-	2	-	-	2
Revaluation of property	(780)	-	-	-	-	(780)
As at 31 December 2020/1 January 2021	8,250	1,302	215	259	368	10,394
Addition	-	10	-	-	-	10
Revaluation of property	(125)	-	-	-	-	(125)
As at 31 December 2021	8,125	1,312	215	259	368	10,279

(Forward)

	Buildings RM'000	Computer equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Total RM'000
Accumulated depreciation						
As at 1 January 2020	18	1,275	213	259	368	2,133
Charge for the year	226	25	1	-	-	252
Revaluation of property	(226)	-	-	-	-	(226)
As at 31 December 2020/1 January 2021	18	1,300	214	259	368	2,159
Charge for the year	213	3	-	-	-	216
Revaluation of property	(213)	-	-	-	-	(213)
As at 31 December 2021	18	1,303	214	259	368	2,162
Net book value						
As at 31 December 2020	8,232	2	1	-	-	8,235
As at 31 December 2021	8,107	9	1	-	-	8,117

As at 31 December 2021, included in the property, plant and equipment are fully depreciated assets which are still in use with costs of RM2,143,000 (2020: RM2,103,000).

Buildings comprise the office premises located in Kuala Lumpur, Malaysia, and were revalued as at 31 December 2021 by VPC Alliance (KL) Sdn. Bhd., a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The revalued amounts are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeable, prudently and without compulsion.

Had the buildings been carried at historical cost less accumulated depreciation, the carrying amount of the buildings that would have been included in the statement of financial position at end of the year are as follows:

	2021 RM'000	**2020 RM'000**
Buildings	5,107	5,994

Fair value information

Fair value of buildings is categorised as follows:

	Level 2	
	2021 RM'000	**2020 RM'000**
Buildings	8,125	8,250

4. **INVESTMENT PROPERTIES**

	2021 RM'000	**2020 RM'000**
As at 1 January	30,150	32,270
Change in fair value (Note 21)	(290)	(2,120)
Disposal	(5,200)	-
As at 31 December	24,660	30,150

Investment properties comprise a number of office premises that are leased to third parties or remain vacant.

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

	2021 RM'000	2020 RM'000
Lease income (Note 18)	1,324	1,829
Direct operating expenses (Note 18)	(310)	(296)
Fair value losses (Note 21)	(290)	(2,120)

Fair value information

Fair value of investment properties is categorised as follows:

	Level 2	
	2021 RM'000	2020 RM'000
Buildings	24,660	30,150

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

5. INVESTMENTS

All the Company's investments are classified as available-for-sale ("AFS") financial assets. The carrying values of the AFS financial assets are measured at fair value and comprised the following:

	2021 RM'000	2020 RM'000
Unquoted in Malaysia		
Corporate debt securities	160,961	124,554
Unquoted outside Malaysia		
Corporate debt securities	8,412	16,294
Quoted in Malaysia		
Unit trust	-	31,667
	169,373	172,515

(a) **Estimation of fair values**

The fair values for local corporate debt securities are their indicative mid market prices quoted by Bond Pricing Agency Malaysia and the fair values of foreign debt securities are their last traded prices quoted by Bloomberg at the end of the reporting period.

The fair values of unit trusts are their quoted closing market prices at the end of the reporting period.

(b) **Carrying values of investments**

	2021 RM'000	**2020 RM'000**
As at 1 January	172,515	367,428
Additions	83,569	52,234
Disposals/Maturities/Repayments	(81,407)	(244,252)
Fair value loss recognised in other comprehensive income	(5,474)	(2,318)
Unrealised gain/(loss) on foreign exchange	566	(278)
Amortisation of premiums (Note 18)	(570)	(422)
Accretion of discounts (Note 18)	174	123
As at 31 December	169,373	172,515

6. **REINSURANCE ASSETS**

	2021 RM'000	**2020 RM'000**
Reinsurance of insurance contracts :		
Claims liabilities (Note 12(a))	105,094	168,953
Premium liabilities (Note 12(b))	348	4,471
	105,442	173,424

7. INSURANCE RECEIVABLES

	2021 RM'000	2020 RM'000
Amount due from cedants	1,116	4,968
Amount due from retrocessionaires	29,422	38,383
Amount due from immediate holding company	14,845	469
	45,383	43,820
Premium reserve deposits due from immediate holding company	91	120
	45,474	43,940
Less: Provision for impairment loss (Note 28(c)(i))	(237)	(314)
Net	45,237	43,626

Amount due from immediate holding company is unsecured, interest free and repayable on demand.

The credit period granted to the cedants and retrocessionaires is ranging from 60 to 90 days (2020: 60 to 90 days)

8. OTHER RECEIVABLES AND PREPAYMENTS

	2021 RM'000	2020 RM'000
Accrued interest income	1,737	1,397
Other receivables	66	66
Prepayments	50	101
	1,853	1,564

9. DEFERRED ACQUISITION COSTS

	2021 RM'000	2020 RM'000
Gross of reinsurance		
As at 1 January	1,202	8,060
Movement during the year (Note 20)	(1,088)	(6,858)
As at 31 December	114	1,202
Reinsurance		
As at 1 January	(787)	(4,390)
Movement during the year (Note 20)	691	3,603
As at 31 December	(96)	(787)
Net of reinsurance		
As at 1 January	415	3,670
Movement during the year	(397)	(3,255)
As at 31 December	18	415

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	2021 RM'000	2020 RM'000
Cash and bank balances	32,679	186,189
Fixed deposits with licensed banks in Malaysia:		
Maturities of less than 3 months	7,497	13,517
	40,176	199,706

11. SHARE CAPITAL AND RESERVES

Share capital

	Amount 2021 RM'000	Number of shares 2021 '000	Amount 2020 RM'000	Number of shares 2020 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
As at 1 January/31 December	125,000	150,000	275,000	300,000

On 25 January 2021, the Company completed a capital reduction exercise to reduce its issued and fully paid-up share capital from RM275 million to RM125 million by reducing and cancelling 150,000,000 class A Ordinary Shares with par value of RM1 each and returning RM150 million to Asia Capital Reinsurance Group Pte Ltd., the sole shareholder of the Company and also its immediate holding company.

The remaining 50,000,000 units of class B Ordinary Shares with par value of RM0.50 each remains unchanged.

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.

Reserves

The reserves as shown in the statement of financial position and statement of changes in equity are as follows:

	2021 RM'000	2020 RM'000
Property revaluation reserve	2,388	2,321
Fair value reserve	659	4,819
Retained earnings	75,540	47,937
	78,587	55,077

Property revaluation reserve

The property revaluation reserve relates to the revaluation of buildings since 2010. It is not distributable as dividend until after the disposal of the buildings.

Fair value reserve

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

Retained earnings

The entire retained earnings of the Company are available for distribution as dividends under the single tier income tax system. Under this system, tax of the Company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholder.

12. INSURANCE CONTRACT LIABILITIES

		2021			2020		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
General reinsurance contracts		174,681	(105,442)	69,239	269,298	(173,424)	95,874

The general insurance contract liabilities and its movements are further analysed as follows:

	Note	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance RM'000	2020 Net RM'000
Reported by Cedants							
Provision for reported claims		113,907	(68,826)	45,081	151,892	(103,546)	48,346
Provision for IBNR		60,257	(36,268)	23,989	110,708	(65,407)	45,301
Provision for outstanding claims	12(a)	174,164	(105,094)	69,070	262,600	(168,953)	93,647
Provision for unearned premiums	12(b)	517	(348)	169	6,698	(4,471)	2,227
		174,681	(105,442)	69,239	269,298	(173,424)	95,874
			Note 6			Note 6	

As at 31 December 2021, the remaining gross and net provision for outstanding claims for novated contracts from its related company, ACRR Sendirian Berhad ("ACRR") amounted to RM8,991,000 (2020: RM29,892,000) and RM8,538,000 (2020: RM10,443,000) respectively.

(a) **Provision for outstanding claims**

	2021			2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At at 1 January	262,600	(168,953)	93,647	397,541	(263,893)	133,648
Claims incurred for the current accident year	-	-	-	21	128	149
Adjustments to claims incurred in prior accident year	(25,177)	(1,937)	(27,114)	(5,520)	5,156	(364)
Movement in FPRAD of claims liabilities at 75% confidence level	(15,227)	10,472	(4,755)	(23,469)	16,463	(7,006)
Movement in claims handling expenses	(467)	-	(467)	(824)	-	(824)
Claims paid during the year	(47,614)	55,358	7,744	(105,149)	73,193	(31,956)
As at 31 December	174,164	(105,094)	69,070	262,600	(168,953)	93,647

(b) **Provision for unearned premiums**

	2021			2020		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
As at 1 January	6,698	(4,471)	2,227	48,358	(30,009)	18,349
Premium written during the year	10,691	(7,917)	2,774	15,634	(15,004)	630
Premium earned during the year	(16,872)	12,040	(4,832)	(57,294)	40,542	(16,752)
As at 31 December	517	(348)	169	6,698	(4,471)	2,227

13. INSURANCE PAYABLES

	2021 RM'000	2020 RM'000
Amount due to cedants	4,118	4,758
Amount due to retrocessionaires	716	3,741
Amount due to immediate holding company	-	9,267
Amount due to related companies	-	580
	4,834	18,346

The credit period granted by the cedants and retrocessionaires is ranging from 60 to 90 days (2020: 60 to 90 days).

Insurance payables due to immediate holding company and related companies were unsecured, interest free and repayable on demand.

14. OTHER PAYABLES

	2021 RM'000	2020 RM'000
Accrued liabilities	3,656	4,061
Other payables	97	208
Amount due to immediate holding company	1,876	1,963
	5,629	6,232

Amount due to immediate holding company arose from non trade expenses payable, is unsecured, interest free and repayable on demand.

15. DEFERRED TAX LIABILITIES

The amounts, determined after appropriate offsetting, are as follows:

	2021 RM'000	2020 RM'000
Deferred tax liabilities	(1,189)	(2,991)

Deferred tax assets and liabilities are attributable to the following:

	2021 RM'000	2020 RM'000
Deferred tax assets/(liabilities):		
Temporary differences arising from:		
Investment properties	(994)	(1,064)
Fair value reserve	(207)	(1,521)
Property revaluation reserve	(755)	(734)
Accrued liabilities	688	735
Others	79	(407)
Net deferred tax liabilities	(1,189)	(2,991)

Movement in temporary differences during the financial year

	As at 1.1.2020 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive income RM'000	As at 31.12.2020/ 1.1.2021 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other comprehensive income RM'000	As at 31.12.2021 RM'000
Investment properties	(1,491)	427	-	(1,064)	70	-	(994)
Fair value reserve	(1,923)	-	402	(1,521)	-	1,314	(207)
Property revaluation reserve	(867)	-	133	(734)	-	(21)	(755)
Accrued liabilities	930	(195)	-	735	(47)	-	688
Others	376	(783)	-	(407)	486	-	79
Total	(2,975)	(551)	535	(2,991)	509	1,293	(1,189)

16. OPERATING REVENUE

	2021 RM'000	2020 RM'000
Gross premium written (Note 17)	10,691	15,634
Investment income (Note 18)	7,168	17,088
	17,859	32,722

17. NET EARNED PREMIUMS

	2021 RM'000	2020 RM'000
(a) **Gross premiums**		
Amount written	10,691	15,634
Change in unearned premiums provisions	6,181	41,660
	16,872	57,294
(b) **Premiums ceded**		
Amount ceded	(7,917)	(15,004)
Change in unearned premiums provisions	(4,123)	(25,538)
	(12,040)	(40,542)
Net earned premiums (a + b)	4,832	16,752

18. INVESTMENT INCOME

	2021 RM'000	2020 RM'000
Lease income	1,324	1,829
Direct operating expenses on investment properties	(310)	(296)
Available-for-sale financial assets – interest income	6,935	15,932
Cash and cash equivalents – interest income	12	416
Accretion of discounts (Note 5(b))	174	123
Amortisation of premiums (Note 5(b))	(570)	(422)
Investment expenses	(397)	(494)
	7,168	17,088

19. NET REALISED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2021 RM'000	2020 RM'000
Available-for-sale financial assets		
Realised gains:		
Corporate debt securities – unquoted in Malaysia	1,514	8,030
Realised losses:		
Corporate debt securities – unquoted in Malaysia	(11)	-
Total net realised gains for available-for-sale financial assets	1,503	8,030

20. COMMISSION EXPENSES/(INCOME)

	2021 RM'000	2020 RM'000
Commission expenses		
Gross acquisition costs	2,984	7,156
Movement in deferred acquisition costs (Note 9)	1,088	6,858
	4,072	14,014
Commission income		
Reinsurance income	(663)	(4,736)
Movement in deferred acquisition costs (Note 9)	(691)	(3,603)
	(1,354)	(8,339)

21. FAIR VALUE LOSSES

	2021 RM'000	2020 RM'000
Investment properties (Note 4)	(290)	(2,120)

22. OTHER OPERATING EXPENSES/(INCOME)

	2021 RM'000	2020 RM'000
Other operating expenses		
Realised loss on foreign exchange	-	3,351
Other operating income		
Realised gain on foreign exchange	(2,213)	-
Unrealised gain on foreign exchange	(49)	(2,467)
Gain on disposal of investment properties	(608)	-
Management fee from a related company	-	(118)
	(2,870)	(2,585)

23. MANAGEMENT EXPENSES

	Note	2021 RM'000	2020 RM'000
Staff salaries and related expenses	23(a)	3,050	3,712
Key management personnel remuneration	23(b)		
- Fees		264	260
- Other remuneration		711	701
Auditors' remuneration		250	214
Depreciation of property and equipment		216	252
Depreciation of right-of-use assets		21	22
Bad debts written off		112	222
Reversal of impairment loss of insurance receivables		(77)	(98)
Management fees to immediate holding company	25	1,826	2,195
Other expenses		798	533
Total management expenses		7,171	8,013

(a) Employee benefits expenses

	2021 RM'000	2020 RM'000
Wages and salaries	2,337	3,047
Social security contributions	15	20
Contribution to Employees' Provident Fund	342	284
Other benefits	356	361
	3,050	3,712

(b) **Key management personnel remuneration**

The total remuneration of the Chief Executive Officer and Directors are as follows:

2021	**Fees RM'000**	**Other emoluments Salary RM'000**	**EPF RM'000**	**Other RM'000**	**Total RM'000**
Chief Executive Officer					
- Tan Shih Ching (Appointed w.e.f. 1 November 2021)	-	60	7	-	67
- Raymond Wong Shu Yoon (Resigned w.e.f. 31 October 2021)	-	561	67	-	628
Directors					
- Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	132	-	-	8	140
- Datuk Mohd Najib Bin Hj. Abdullah	132	-	-	8	140
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	264	621	74	16	975

(Forward)

2020	Fees	Other emoluments			Total
		Salary	EPF	Other	
	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer					
- Raymond Wong Shu Yoon (Appointed w.e.f. 4 March 2020)	-	474	57	-	531
- Hue Yann Wei (Resigned w.e.f. 9 January 2020)	-	42	15	82	139
Directors					
- Sim Hwee Cher (Appointed w.e.f. 1 January 2020, Resigned w.e.f. 31 October 2020)	-	-	-	9	9
- Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	132	-	-	11	143
- Datuk Mohd Najib Bin Hj. Abdullah	128	-	-	11	139
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	260	516	72	113	961

24. TAX EXPENSE

	2021 RM'000	2020 RM'000
Estimated tax payable:		
- Current year	9,468	7,571
- Underprovision in prior years	1,953	1,642
	11,421	9,213
Deferred tax liabilities (Note 15):		
- Current year	(509)	145
- Underprovision in prior years	-	406
	10,912	9,764

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

	2021 RM'000	2020 RM'000
Profit before tax	38,515	33,341
Tax at statutory tax rate of 24% (2020: 24%)	9,244	8,002
Tax effects in respect of:		
Non-deductible expenses	1,497	246
Non-taxable income	(1,782)	(532)
Underprovision of income tax in prior years	1,953	1,642
Underprovision of deferred tax in prior years	-	406
Tax expense for the year	10,912	9,764

25. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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 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) **Ultimate holding company**

The ultimate holding company is Catalina Holdings (Bermuda) Ltd., a corporation incorporated in Bermuda.

(ii) **Immediate holding company**

The immediate holding company is Asia Capital Reinsurance Group Pte. Ltd., a corporation incorporated in Singapore.

(iii) **Related companies**

The related companies are ACRR Sendirian Berhad (formerly known as ACR Retakaful Berhad and ACRR Berhad) and ACR ReTakaful MEA B.S.C. (c), which are companies incorporated in Malaysia and Bahrain respectively.

(iv) **Key management personnel**

Key management personnel include the Company's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The Executive and Non-Executive Directors compensation is disclosed in Note 23(b).

Related party transactions have been entered into in the normal course of business under normal trade terms. Significant related party transactions, other than key management personnel compensation, are as follows:

Transactions for the year ended 31 December	**2021 RM'000**	**2020 RM'000**
Immediate holding company		
- Gross premium retroceded	(623)	(4,938)
- Commission income	507	3,882
- Claims recovery	44,782	27,373
- Gross premium accepted	7,217	9,678
- Commission expense	(490)	(910)
- Claims paid	(10,179)	(52,850)
- Resources sharing expense (paid)/recovered	(2)	2
- Management fee expense	(1,826)	(2,195)

(Forward)

Transactions for the year ended 31 December	2021 RM'000	2020 RM'000
Related companies		
- Gross premium accepted	-	(3)
- Commission expense	-	(4)
- Claims paid	-	(544)
- Resource sharing expense recoveries	2	-
- Management fee income	-	118

The net balance outstanding arising from the above transactions have been disclosed in Notes 7, 8, 13 and 14 respectively. There are no impairment loss recognised and bad debts written off in respect of amounts due from ultimate holding company, immediate holding company and related companies.

All the amounts outstanding are unsecured, repayable on demand and expected to be settled with cash.

26. RISK MANAGEMENT FRAMEWORK

The Company is exposed to a variety of reinsurance and financial risks in the normal course of its business activities. The board of directors ("Board") have overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is the approving authority for changes and exceptions to all risk management strategy, policies and procedures which are established to identify, analyse and monitor the risks faced by the Company. The Board also approves the Company's risk tolerance and risk limits.

The Board is supported by the Audit Committee ("AC"). The AC will deal with internal controls and compliance procedures.

The Company's management is responsible for implementing the risk management framework. This is executed through Enterprise Risk Management & Compliance Department and the Management with representatives from key business units who are responsible for driving the implementation of the Enterprise Risk Management framework across the Company. The Enterprise Risk Management & Compliance Department identifies, assess and where necessary report to the Board any risk that may affect our risk appetite, business strategy and capital management.

27. INSURANCE RISK MANAGEMENT

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

The Company underwrites treaty and facultative reinsurance business both on a proportional and non-proportional basis. Main classes of reinsurance business underwritten include aviation, marine, energy, property, engineering, casualty and motor. Effective from 5 December 2019, the Company has ceased the underwriting of new general reinsurance business and has run-off all its existing in-force policies.

(i) Underwriting risks

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

Pricing risks

Pricing is the process of determining the appropriate premium charge for the risks underwritten which involves the estimation of future claim frequency and severity, and the payment pattern associated with the ultimate claims payable.

The Company has an underwriting guideline for use by underwriters and employs senior underwriters each with considerable industry experience to determine the appropriate price of each risk accepted. Underwriters are also supported by a team of pricing actuaries. A range of pricing tools is also made available to the underwriters which further supplement their underwriting judgement, thus failure to consider the appropriate factors affecting the risk is reduced.

The Company accepts risks across eight lines of businesses and four types of reinsurance programmes, and exchange of intra-group treaties among immediate holding company and related companies. This ensures significant diversification and reduces the risk of systemic pricing error.

Selection risks

Selection risk emanates from persistently poor selection of risks. Estimation of future claims can never be perfect and involves professional judgement.

The Company has an underwriting guideline for use by underwriters. All risks are subject to a peer review process prior to acceptance. Large and complex risks are subject to referral to management.

Stochastic claims risks

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

The Company's net exposure to any single risk or single catastrophe event is subject to a Board's approved limit during the financial year thereby reducing the effect of any single random event.

The diversification of the Company's business across countries and lines of businesses also reduces the impact of any single claims.

Reserving risks

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

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

Once a claim has occurred, the Company must set aside adequate reserve to meet the ultimate cost of those claims. This is known as a claims reserve. There are typically a number of component of the reserves:

- Case estimate - an estimate for a particular known claim of the amount of the ultimate claim cost taking into the particular circumstances of the claim.

- IBNER - known as "incurred but not enough reported" where this is a portfolio adjustment to all case estimates reflecting any overall inadequacy (if any) in those amounts.

- IBNR - known as "incurred but not reported" this is an estimate of claims costs that have been incurred but have not yet been reported to the Company.

- Claims expense costs - this is an amount that is set aside for the expected costs of administering claims settlement.

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

(ii) **Concentration/accumulation of insurance risks**

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

The Company has effected a reinsurance protection for natural catastrophes and also carries out regular analysis to monitor potential concentration of the same risk reinsured from different clients.

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

	2021 RM'000	**2020 RM'000**
Countries		
Malaysia	2,832	4,178
Singapore	7,456	9,916
Thailand	-	2
China	(5)	23
India	-	8
South Korea	-	31
Philippines	1	-
Japan	9	17
Vietnam	(1)	(4)
Indonesia	-	(26)
Others	399	1,489
	10,691	15,634

	2021 RM'000	**2020 RM'000**
Line of business		
Fire	7,714	7,276
Motor	475	2,003
Marine, aviation and transit	441	2,595
Miscellaneous	2,061	3,760
	10,691	15,634

(iii) **Sensitivity analysis**

The sensitivity analysis was performed on premium and claims liabilities based on the changes in assumptions that may affect the level of liabilities.

The assumption that has the greatest effect on the determination of premium and claims liabilities is the expected loss ratio (in percentage terms). The test was conducted based on a change level of +10% and –10% of the expected loss ratio on the premium liabilities, claims liabilities and profit before tax as shown below:

	Expected loss ratio	
	+10%	**-10%**
	RM'000	**RM'000**
2021		
Claims liabilities	121,988	(7,059)
2020		
Premium liabilities	176	(148)
Claims liabilities	105,103	(15,371)
	105,279	(15,519)

(iv) **Claims development**

The following tables shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at the end of each reporting period, together with cumulative payments to date.

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

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

2021
Gross incurred claims

	Underwriting years								
	2014 and prior RM'000	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**Total RM'000**
At end of first financial year	2,440,565	127,862	75,950	65,125	58,952	37,500	21	-	-
One year later	1,530,938	231,906	109,837	89,761	132,848	63,202	30		30
Two years later	1,451,419	215,630	92,056	87,257	147,089	61,117			61,117
Three years later	1,377,697	208,679	92,424	84,781	157,368				157,368
Four years later	1,347,717	206,365	91,189	77,252					77,252
Five years later	1,304,967	204,176	86,563						86,563
Six years later	1,505,860	199,583							199,583
Seven years later	1,489,238								1,489,238
Current estimates of loss reserves	1,489,238	199,583	86,563	77,252	157,368	61,117	30	-	2,071,151
Cumulative payments	(1,442,424)	(190,860)	(79,578)	(59,452)	(122,976)	(30,813)	-	-	(1,926,103)
Best estimate of loss reserves	46,814	8,723	6,985	17,800	34,392	30,304	30	-	145,048
Claims handling expenses									1,055
FPRAD at 75% confidence level									28,061
Gross general insurance contract liabilities per statement of financial position								Note 12(a)	174,164

2020
Gross incurred claims

	Underwriting years								
	2013 and prior RM'000	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**	**Total RM'000**
At end of first financial year	1,028,001	183,027	127,862	75,950	65,125	58,952	37,500	21	21
One year later	1,229,537	282,757	231,906	109,837	89,761	132,848	63,202		63,202
Two years later	1,248,181	256,840	215,630	92,056	87,257	147,089			147,089
Three years later	1,194,579	229,363	208,679	92,424	84,781				84,781
Four years later	1,148,334	216,835	206,365	91,189					91,189
Five years later	1,130,882	217,351	204,176						204,176
Six years later	1,087,616	236,686							236,686
Seven years later	1,269,174								1,269,174
Current estimates of loss reserves	1,269,174	236,686	204,176	91,189	84,781	147,089	63,202	21	2,096,318
Cumulative payments	(1,220,300)	(214,680)	(185,795)	(77,307)	(56,514)	(108,640)	(15,242)	-	(1,868,478)
Best estimate of loss reserves	48,874	22,006	18,381	13,882	28,267	38,449	47,960	21	217,840
Claims handling expenses									1,521
FPRAD at 75% confidence level									43,239
Gross general insurance contract liabilities per statement of financial position								Note 12(a)	262,600

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

2021
Net incurred claims

	Underwriting years								
	2014 and prior RM'000	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**	**2021 RM'000**	**Total RM'000**
At end of first financial year	1,331,251	23,537	20,320	19,108	15,315	19,967	149	-	-
One year later	709,741	33,386	22,837	18,143	18,412	27,226			-
Two years later	693,055	28,088	21,105	18,435	21,484	28,112			28,112
Three years later	671,719	28,449	19,640	18,317	20,604				20,604
Four years later	665,911	28,940	20,001	17,511					17,511
Five years later	657,220	32,554	19,473						19,473
Six years later	806,075	34,167							34,167
Seven years later	789,351								789,351
Current estimates of loss reserves	789,351	34,167	19,473	17,511	20,604	28,112	-	-	909,218
Cumulative payments	(769,670)	(29,385)	(16,282)	(13,131)	(11,689)	(11,565)	-	-	(851,722)
Best estimate of loss reserves	19,681	4,782	3,191	4,380	8,915	16,547	-	-	57,496
Claims handling expenses									1,054
FPRAD at 75% confidence level									10,520
Net general insurance contract liabilities per statement of financial position								Note 12(a)	69,070

2020
<u>Net incurred claims</u>

	Underwriting years								
	2013 and prior RM'000	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**2020 RM'000**	**Total RM'000**
At end of first financial year	636,124	24,691	23,537	20,320	19,108	15,315	19,967	149	149
One year later	670,436	35,203	33,386	22,837	18,143	18,412	27,226		27,226
Two years later	674,538	34,084	28,088	21,105	18,435	21,484			21,484
Three years later	658,971	27,749	28,449	19,640	18,317				18,317
Four years later	643,970	26,022	28,940	20,001					20,001
Five years later	639,889	26,069	32,554						32,554
Six years later	631,151	32,196							32,196
Seven years later	773,879								773,879
Current estimates of loss reserves	773,879	32,196	32,554	20,001	18,317	21,484	27,226	149	925,806
Cumulative payments	(749,694)	(26,616)	(26,530)	(16,709)	(12,215)	(10,320)	(6,856)	-	(848,940)
Best estimate of loss reserves	24,185	5,580	6,024	3,292	6,102	11,164	20,370	149	76,866
Claims handling expenses									1,521
FPRAD at 75% confidence level									15,260
Net general insurance contract liabilities per statement of financial position								Note 12(a)	93,647

28. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

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

-Loans and receivables ("L&R");
-Available-for-sale financial assets ("AFS"); and
-Financial liabilities measured at amortised cost ("FL")

	Carrying amount RM'000	L&R/ FL RM'000	AFS RM'000
2021			
Financial assets			
Investments	169,373	-	169,373
Insurance receivables	45,237	45,237	-
Other receivables (excluding prepayments)	1,803	1,803	-
Cash and cash equivalents	40,176	40,176	-
	256,589	87,216	169,373
Financial liabilities			
Insurance payables	(4,834)	(4,834)	-
Other payables	(5,629)	(5,629)	-
Provision for reported claims	(113,907)	(113,907)	-
	(124,370)	(124,370)	-
2020			
Financial assets			
Investments	172,515	-	172,515
Insurance receivables	43,626	43,626	-
Other receivables (excluding prepayments)	1,463	1,463	-
Cash and cash equivalents	199,706	199,706	-
	417,310	244,795	172,515
Financial liabilities			
Insurance payables	(18,346)	(18,346)	-
Other payables	(6,232)	(6,232)	-
Provision for reported claims	(151,892)	(151,892)	-
	(176,470)	(176,470)	-

(b) **Net gains and losses arising from financial instruments**

	2021 RM'000	2020 RM'000
Net (losses)/gains on:		
Available-for-sale financial assets		
- recognised in other comprehensive income	(5,476)	(2,318)
- recognised in profit or loss	8,042	23,385
Loans and receivables	12	416
	2,578	21,483

(c) **Financial risk management policies and objectives**

The Company manages its exposure to financial risks using a variety of techniques and instruments. The risks include credit risk, liquidity risk, market risk, foreign currency risk and cash flow risk. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Company's policy prohibits it to enter into speculative transactions.

The main financial risks that the Company are exposed to and how it manages these risks are set out below:

(i) **Credit risk management**

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

Receivables

Risk management objectives, policies and processes for managing the risk

The Company has established counterparty and credit management policy that governs the retrocession counterparty credit selection and review process, as well as the insurance and reinsurance receivables collection and impairment assessment processes. These processes are regularly being reviewed and monitored by the management of the Company. The contingent credit exposure to any single retrocessionaire is limited and dependent on a number of factors, including rating and company size.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the statement of financial position, although in the case of reinsurance receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each retrocessionaire at any time is also dependent on the claims recoverable from such retrocessionaires at that point in time.

Impairment losses

The Company maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2021			
1 to 3 months	11,731	-	11,731
4 to 6 months	6,083	-	6,083
7 to 12 months	2,170	-	2,170
More than 12 months	25,490	(237)	25,253
	45,474	(237)	45,237
2020			
1 to 3 months	5,761	-	5,761
4 to 6 months	6,830	-	6,830
7 to 12 months	11,586	-	11,586
More than 12 months	19,763	(314)	19,449
	43,940	(314)	43,626

The credit period granted to insurance receivables range from 60 to 90 days. The Company deemed all insurance receivables outstanding more than 90 days as past due.

The insurance receivables are deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

Past due and impaired

As at 31 December 2021, based on a collective and individual assessment of receivables, there are impaired insurance receivables of RM237,383 (2020: RM314,434). The movement in the allowance for impairment during the financial year are shown below:

	2021 RM'000	**2020 RM'000**
Balance as at 1 January	314	412
Reversal of allowance (Note 23)	(77)	(98)
Balance as at 31 December	237	314

Investments

Risk management objectives, policies and processes for managing the risk

The Company's investment portfolio is managed following standards of diversification and an investment philosophy. It focuses on investing in high quality investment grade fixed income securities.

Exposure to credit risk, credit quality and collateral

The Company does not have investments in collateralised debt obligations, collateralised loan obligations, non-rated securities (except guaranteed by Government) and other complex structured notes which may expose the Company to significant credit risk.

The Company reviews its issuer concentration and credit quality and compliance with established credit limits on a regular basis. The Company is not exposed to any significant credit concentration risk on its investments.

Credit exposure

The table below shows the maximum exposure of credit risk for the components recognised in the statements of financial position.

	2021 RM'000	2020 RM'000
Investments	169,373	172,515
Insurance receivables	45,237	43,626
Other receivables (excluding prepayments)	1,803	1,463
Cash and cash equivalents	40,176	199,706
	256,589	417,310

Credit exposure by credit quality

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

	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2021				
Investments:				
Corporate debt securities	169,373	-	-	169,373
Insurance receivables	11,731	33,743	(237)	45,237
Other receivables (excluding prepayments)	1,803	-	-	1,803
Cash and cash equivalents	40,176	-	-	40,176
	223,083	33,743	(237)	256,589

(Forward)

	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
2020				
Investments:				
Corporate debt securities	140,848	-	-	140,848
Unit trust	31,667	-	-	31,667
Insurance receivables	5,761	38,179	(314)	43,626
Other receivables (excluding prepayments)	1,463	-	-	1,463
Cash and cash equivalents	199,706	-	-	199,706
	379,445	38,179	(314)	417,310

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the credit rating issued by Rating Agency Malaysia ("RAM") or Malaysian Rating Corporation ("MARC") on the counterparties, unless indicated as rated by AM Best and Standard & Poor's ("S&P").

	AAA RM'000	AA RM'000	A RM'000	BBB - B RM'000	Non-rated RM'000	Total RM'000
2021						
Investments:						
Corporate debt securities	46,750	101,508	12,704	8,411	-	169,373
Insurance receivables*	-	-	7,643	9,782	27,802	45,237
Other receivables (excluding prepayments)	-	-	-	-	1,803	1,803
Cash and cash equivalents	40,176	-	-	-	-	40,176
	86,926	101,508	20,357	18,193	29,605	256,589
2020						
Investments:						
Corporate debt securities	24,399	88,663	19,721	8,065	-	140,848
Unit trust^	-	-	-	-	31,667	31,667
Insurance receivables*	-	-	12,344	12,819	18,463	43,626
Other receivables (excluding prepayments)	-	-	-	-	1,463	1,463
Cash and cash equivalents	199,706	-	-	-	-	199,706
	224,105	88,663	32,065	20,884	51,593	417,310

^ The underlying investments in unit trusts scheme are deposit placement, debt securities, Malaysian Government Securities and Government Investment Issues.

* Rating for insurance receivables are rated by international rating agency either AM Best or S&P.

(ii) **Liquidity risk management**

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

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

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

- Cash flow position is being reviewed, on an ongoing basis, by monitoring its overall liquidity position and funding requirements over the short, medium and long term;

- Assets purchased by the Company are required to satisfy specified marketability requirements; and

- The Company maintains cash and liquid assets to meet daily calls on its insurance and investment needs.

Given the high level of credit quality and short duration investment portfolio, the Company is able to quickly liquidate its investments in financial assets at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In addition, the Company invests in fixed deposit placements and unit trust funds which can provide liquidity for working capital requirements and payment of liabilities when the need arises. As such, no maturity profiles are provided for financial assets.

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 value RM'000	Contractual interest rate RM'000	Contractual cash flows RM'000	Up to a year RM'000	>1 – 3 years RM'000	>3 – 5 years RM'000	> 5 years RM'000
2021							
Provision for reported claims	113,907	-	113,907	75,873	31,110	6,137	787
Insurance payables	4,834	-	4,834	4,834	-	-	-
Other payables	5,629	-	5,629	5,629	-	-	-
	124,370		124,370	86,336	31,110	6,137	787
2020							
Provision for reported claims	151,892	-	151,892	86,125	53,638	10,186	1,943
Insurance payables	18,346	-	18,346	18,346	-	-	-
Other payables	6,232	-	6,232	6,232	-	-	-
	176,470		176,470	110,703	53,638	10,186	1,943

(iii) **Market risk management**

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

- Currency risk
- Interest rate risk

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

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

Currency risk

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

The Company's primary transactions are carried out in RM for its local business and its exposure to foreign exchange risk arises principally with respect to US Dollar ("USD") through the intra-group treaties among immediate holding company, related companies and management of pool business.

Risk management objectives, policies and processes for managing the risk

The Company does not engage in derivative transactions for speculative purposes. Where deemed necessary in line with the Company's risk management policy, the Company shall enter into derivative transactions solely for hedging purposes.

The Company's currency risk is largely mitigated by its asset and liability management framework. Under this framework, the Company established an internally managed investment portfolio with the objective of investing into USD currency denominated fixed income securities to match its liabilities denominated in USD currencies. With the assets liabilities management process in place, the impact arising from sensitivity in foreign exchange rate is deemed minimal as the Company does not have a significant mismatch exposure. Notwithstanding this, the asset liability management framework is subject to time lag, estimates and judgments, which may affect the desired outcome.

The following table sets out the Company's main exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in USD currency, other than the functional currency of the Company.

	2021 RM'000	2020 RM'000
Assets		
Investments	8,411	16,294
Reinsurance assets	13,503	55,491
Insurance receivables	246,375	39,602
Accrued interest income	27	123
Cash and cash equivalents	5,541	14,272
	273,857	125,782
Liabilities		
Insurance contract liabilities	(19,864)	(69,405)
Insurance payables	(60)	(8,946)
	(19,924)	(78,351)
Net exposure	253,933	47,431

Currency risk sensitivity analysis

A 10% (2020: 10%) strengthening of RM against the following currency at the reporting date would increase the profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit before tax 2021 RM'000	Impact on profit before tax 2020 RM'000
United States Dollar	25,393	4,743

A 10% (2020: 10%) weakening of RM against the above currency at the end of the reporting period would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Interest risk

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

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

Risk management objectives, policies and processes for managing the risk

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

The Company's investment portfolio has an average duration of around two years, significantly reducing any long term interest rate volatility within the portfolio.

Exposure to interest rate risk

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

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

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
2021				
Fixed rate instruments				
Corporate debt securities	-	115,720	53,653	169,373
Cash and cash equivalents	40,176	-	-	40,176
	40,176	115,720	53,653	209,549
2020				
Fixed rate instruments				
Corporate debt securities	13,265	85,000	42,583	140,848
Cash and cash equivalents	13,517	-	-	13,517
	26,782	85,000	42,583	154,365

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

	---- Impact on OCI and equity -----			
	2021		2020	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
Fixed rate instruments				
Corporate debt securities	(2,435)	2,435	(2,618)	2,618

(iv) **Cash flow risk management**

The Company reviews their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

(d) **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. The table below analyses financial instruments carried at fair value together with their fair values and carrying amounts shown in the statement of financial position. There were no financial instruments not carried at fair value for which fair value is disclosed.

	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2021						
Financial assets						
Corporate debt securities	-	169,373	-	169,373	169,373	169,373
2020						
Financial assets						
Corporate debt securities	-	140,848	-	140,848	140,848	140,848
Unit trust	-	31,667	-	31,667	31,667	31,667
	-	172,515	-	172,515	172,515	172,515

Valuation techniques and inputs

The valuation techniques and inputs used in determining the fair value of the financial assets above is disclosed in Note 5(a).

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 (2020: no transfer in either directions).

29. CAPITAL MANAGEMENT

The Company's capital management policy is to optimise the utilisation of its capital while at the same time providing an adequate level of security as determined by rating agencies and BNM.

The Company's objectives when managing capital are:

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

Primary capital

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

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

Regulatory capital

The local insurance regulator, BNM, specifies the minimum required capital that must be maintained at all times throughout the year. This minimum required capital is determined by the Capital Adequacy Ratio ("CAR") under the Risk-Based Capital ("RBC") Framework at 130%. RBC is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on factors deemed higher for those items with greater underlying risk. As at the end of the reporting period, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 31 December as prescribed under the RBC Framework is provided below:

	2021 **RM'000**	**2020** **RM'000**
Eligible Tier 1 Capital		
Share capital (paid-up)	125,000	275,000
Retained earnings	75,540	47,937
	200,540	322,937
Tier 2 Capital		
Eligible reserves	3,047	7,140
Total capital available	203,587	330,077

There were no changes in the Company's approach to capital management during the financial year.

Company No. 200701004295 (762294 - T)

ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.** state that, in their opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 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.

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

DATUK DR. SYED MUHAMAD.
BIN SYED ABDUL KADIR

DATUK MOHD NAJIB. ABDULLAH

Kuala Lumpur,
2 8 MAR 2022

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE INSTITUTE

I, **CHONG SOON HING** the officer primarily responsible for the financial management of **ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.,** do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHONG SOON HING
(MIA Membership No. 27875)

Subscribed and solemnly declared by the abovenamed **CHONG SOON HING** at **KUALA LUMPUR** this 2 8 MAR 2022

Before me,

Petaling Jaya
Selangor

PESURUHJAYA SUMPAH
No : B185
Nama NG SAY HUNG
1/1/2022 - 31/12/2024
MALAYSIA

COMMISSIONER FOR OATHS

No. 71-1, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor