

Company No. 200701004295 (762294 - T)

**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 2023
(In Ringgit Malaysia)**

Company No. 200701004295 (762294 - T)

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

FINANCIAL STATEMENTS

CONTENTS	PAGE(S)
Report of the directors	1 - 15
Independent auditors' report	16 - 19
Statement of financial position	20
Statement of profit or loss and other comprehensive income	21 - 22
Statement of changes in equity	23 - 24
Statement of cash flows	25 - 26
Notes to the financial statements	27 - 129
Statement by directors	130
Declaration by the officer primarily responsible for the financial management of the Company	130

Company No. 200701004295 (762294 - T)

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 2023.

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	8,491
Tax expense	<u>(4,020)</u>
Profit for the year	<u><u>4,471</u></u>

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.

DIVIDEND

A single tier final dividend of approximately 16.33 sen per ordinary share, amounting to RM24,500,000 was declared on 20 March 2023 and paid on 15 June 2023 in respect of the financial year ended 31 December 2022.

The directors do not recommend any final dividend to be declared or paid 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

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 USD65 million (approximately RM298.4 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 there are no known bad debts need to be written off and that adequate allowance had 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 require the writing off of bad debts or render the amount of the 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.

Company No. 200701004295 (762294 - T)

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
Loh Wei Lyn (Resigned w.e.f 31 January 2024)
Tan Tek Jun (Appointed w.e.f 1 April 2024)

DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office as at 31 December 2023 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 benefits included in the aggregate amount of emoluments received or due and receivable by Directors amounting to RM255,000) 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
<u>Non-Independent Executive Directors</u>	
Loh Wei-Lyn (Resigned w.e.f 31 January 2024)	3/3
Tan Tek Jun (Appointed w.e.f 1 April 2024)	0/0
<u>Independent Non-Executive Directors</u>	
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Chairman)	3/3
Datuk Mohd Najib Bin Hj. Abdullah	3/3

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.

Datuk Dr. Syed Muhammad is also a Director of Solution Group Berhad, EVD Berhad, Alam Flora Sdn Bhd and Northport (Malaysia) Bhd. 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.

Company No. 200701004295 (762294 - T)

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.

Tan Tek Jun (Appointed w.e.f. 1 April 2024)
Non-Independent Executive Director

Mr Tan Tek Jun (“Mr Tan”) is the Chief Executive Officer and Executive Director of Asia Capital Reinsurance Group Pte Ltd, Singapore. (“ACRG”).

Mr Tan has 17 years of experience in banking and insurance. He joined ACRG in 2015 as Vice President, Capital Management and Corporate Finance and has held various roles including Head of Corporate & Business Development and Chief Financial Officer. Prior to that was Regional Head of Capital Management for Asia Pacific ex-Japan at American Insurance Group. Prior to joining American Insurance Group he was an investment banker with BNP Paribas in Singapore.

Mr Tan holds a Bachelor of Commerce from the University of Melbourne and is a CFA Charter holder.

Loh Wei-Lyn (Resigned w.e.f 31 January 2024)
Non-Independent Executive Director

Ms. Loh Wei-Lyn was the Chief Executive Officer and Executive Director of Asia Capital Reinsurance Group Pte Ltd, Singapore. (“ACRG”).

Ms. Loh Wei-Lyn was formerly Chief Operating Officer and Chief Corporate Officer of ACRG; Human Resource Vice President, Business Partnership of Changi Airport Group (Singapore) Pte Ltd, Asia Pacific; Singapore Human Resources Manager at AkzoNobel Paints (Asia Pacific) Pte Ltd; and Assistant Head at Singapore Economic Development Board.

Trainings attended

The following are the trainings attended by the Directors:

- Management of Cyber Risk
- Climate Finance Training Series: Deconstructing COP28 and the Role of Financial Services
- Capital Management Training
- Directors' Training Program Module 3 – Risk Management
- JC3 Upskilling Sustainability Training Series 4 – Social Sustainability Towards a Just Transition
- Directors' Training Program Module 2 – ESG Approaches in Reinsurance Market
- Diversity, Equity & Inclusion Conversation
- Invest Malaysia
- LESA 2023 Leadership for Enterprise Sustainability Asia
- The Future of Competitive Strategy: Unleashing the Power of Data and Digital Ecosystems
- Ethical Finance ASEAN 2023: Financing Transition
- Future-Proofing Your Organization
- FY2023 Etiqa Risk Landscape Workshop
- Ageas Partnership Days
- The Future Shape of the Digital Business
- From Mindset to Mindshift: Changing Leadership for a Changing World
- How can Luxury Harness Technology to Craft a More Sustainable Future?
- Board Oversight of Climate Risks and Opportunities
- Linking Executive Pays to ESG Performance
- Risk, Resilience, and Recovery: Lessons from the Global Banking Crisis
- Chartered Banker Annual Banking Conference 2023 Day 1: Responsible Banking: Our Past, Our Present and Our Future
- Directors' Training Program Module 3 – Anti Bribery & Corruption and Anti-Money Laundering
- Cloud Requirements in RMIT: AI & Machine Learning Adoption Landscape in the Industry
- IFRS17
- Digital Transformation: Unlock the Growth Potential of Insurance

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 financial year ended 31 December 2023. 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 22 to the financial statements.

(iii) ***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

Table A		
Total value of remuneration awards for the financial year	Unrestricted	Deferred
	RM	RM
Fixed remuneration		
• Cash-based	1,038,522	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil
Variable remuneration		
• Cash-based	205,400	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.

SUBSEQUENT EVENT

On 20 June 2024, the Company and its immediate holding company signed a Quota Share Agreement (“QSRA”) with Swiss Re Asia Pte Ltd Malaysia Branch (“SR Malaysia”) whereby SR Malaysia will reinsure 100% of the Company’s existing in-force policies. The effective date of the QSRA is 1 July 2024. The QSRA is part of a wider transaction whereby SR Malaysia proposes to eventually acquire all of the in-force reinsurance business of the Company by way of a portfolio transfer pursuant to Section 100(1) of the Financial Services Act 2013 and/or Section 112(1) of the Islamic Financial Services Act 2013. The portfolio transfer is subject to the approval of Bank Negara Malaysia which is required before the parties can enter into an agreement or arrangement for the transfer of such reinsurance business.

Company No. 200701004295 (762294 - T)


AUDITORS

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

AUDITORS' REMUNERATION

The amount paid or payable as remuneration of the auditors for the financial year ended 31 December 2023 is RM250,000.

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 June 2024



Deloitte PLT (LLP0010145-LCA)
Chartered Accountants (AF0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

P.O. Box 10093
50704 Kuala Lumpur
Malaysia

Tel: +60 3 7610 8888
Fax: +60 3 7726 8986
myaaa@deloitte.com
www.deloitte.com/my

**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 2023, 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 material accounting policy information, as set out on pages 20 to 129.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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)

Company No. 200701004295 (762294 - T)

Other Matter

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.



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



KOK PEI LOO
Partner - 03524/08/2024 J
Chartered Accountant

28 June 2024

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note(s)	31.12.2023 RM'000	(Restated) 31.12.2022 RM'000	(Restated) 1.1.2022 RM'000
Assets				
Property and equipment	5	73	8,132	8,117
Right-of-use assets		12	14	36
Investment properties	6	-	24,660	24,660
Non-current assets held for sale	7	32,134	-	-
Investments	8	44,972	67,828	169,373
Insurance contract assets	15	15,319	39,475	45,241
Reinsurance contract assets	15	23,004	49,725	99,734
Other receivables and prepayments	9	596	800	1,853
Tax recoverable		3,680	2,004	-
Cash and cash equivalents	10	76,673	67,852	40,176
Total assets		<u>196,463</u>	<u>260,490</u>	<u>389,190</u>
Equity and Liabilities				
Equity				
Share capital	11	125,000	125,000	125,000
Reserves	11	9,113	29,142	77,755
Total equity		<u>134,113</u>	<u>154,142</u>	<u>202,755</u>
Liabilities				
Insurance contract liabilities	15	48,738	91,062	169,735
Reinsurance contract liabilities	15	350	6,515	4,890
Lease liabilities		13	14	36
Other payables and accruals	13	11,642	7,484	5,629
Tax liabilities		-	-	4,956
Deferred tax liabilities	14	1,607	1,273	1,189
Total liabilities		<u>62,350</u>	<u>106,348</u>	<u>186,435</u>
Total equity and liabilities		<u>196,463</u>	<u>260,490</u>	<u>389,190</u>

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 2023**

	Note(s)	2023 RM'000	(Restated) 2022 RM'000
Insurance revenue	16	923	263
Insurance service expenses	16	14,411	41,948
Insurance service result from insurance contracts issued	16	15,334	42,211
Insurance revenue for reinsurance contracts held	16	(680)	476
Insurance service expenses for reinsurance contracts held	16	(8,372)	(28,563)
Net expenses from reinsurance contracts held	16	(9,052)	(28,087)
Insurance service result	16	6,282	14,124
Net investment income	17	5,079	4,251
Finance (expenses)/income from insurance contracts issued	15(a)(iii)	(8,668)	1,536
Finance income/(expenses) from reinsurance contracts held	15(b)(iii)	540	(236)
Net insurance finance income / expenses		(8,128)	1,300
Net insurance and investment result		3,233	19,675
Other operating income	18	11,619	1,550
Management expenses	19	(6,361)	(6,807)
Profit before tax		8,491	14,418
Tax expense	21	(4,020)	(3,195)
Profit for the year		4,471	11,223
Profit for the year, attributable to equity holder of Company		4,471	11,223

(Forward)

Company No. 200701004295 (762294 - T)

	2023 RM'000	(Restated) 2022 RM'000
Profit for the year	<u>4,471</u>	<u>11,223</u>
Items that may be reclassified subsequently to profit or loss		
Surplus on property revaluation	-	216
Tax affect arising from surplus on property revaluation	<u>-</u>	<u>(52)</u>
Total other comprehensive income for the year, net of tax	<u>-</u>	<u>164</u>
Total comprehensive income for the year attributable to equity holder of Company	<u>4,471</u>	<u>11,387</u>

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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Non-Distributable</i>			<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Property revaluation reserve RM'000	Fair value reserve RM'000	reserve - Retained earnings RM'000	RM'000	
As at 1 January 2022 (as previously stated)	125,000	2,388	659	75,540	203,587	
Changes on initial application of MFRS 17	-	-	-	(832)	(832)	
Changes on initial application of MFRS 9	-	-	(659)	659	-	
As at 1 January 2022 (as restated)	125,000	2,388	-	75,367	202,755	
Profit for the year	-	-	-	11,223	11,223	
Other comprehensive income	-	164	-	-	164	
Total comprehensive income for the year (as restated)	-	164	-	11,223	11,387	
Dividends (Note 12)	-	-	-	(60,000)	(60,000)	
As at 31 December 2022 (as restated)	125,000	2,552	-	26,590	154,142	
	Note 11	Note 11	Note 11	Note 11	Note 11	

(Forward)

	<i>Non- Distributable</i>	<i>Distributable</i>	<i>Total equity</i>
	Share capital RM'000	Property revaluation reserve RM'000	Retained earnings reserve – RM'000
As at 1 January 2023 (as restated)	125,000	2,552	26,590
Profit for the year, representing total comprehensive income for the year	-	-	4,471
Dividends (Note 12)	-	-	(24,500)
As at 31 December 2023	125,000	2,552	6,561
	Note 11	Note 11	Note 11
			134,113

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	(Restated)
	RM'000	2022
		RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before tax	8,491	14,418
Adjustments for:		
Depreciation of right-of-use-assets	16	22
Depreciation of property and equipment	210	223
Investment income	(4,660)	(6,931)
Net realised (gain)/loss on investments	(23)	1,846
Unrealised (gain)/loss on investments	(374)	1,784
Fair value loss of investment properties before transfer to non-current assets held for sale	436	-
Unrealised loss on foreign exchange	-	(566)
Bad debts recovered	(441)	(93)
Net measurement of loss allowance	418	(107)
	<hr/>	<hr/>
Operating Profit Before Changes in Working Capital	4,073	10,596
Purchase of securities/investments	(1,270)	(13,729)
Proceeds from disposal of securities/investments	24,523	112,210
Decrease in insurance contract assets	24,179	5,966
Decrease in reinsurance contract assets	26,721	50,009
Decrease in insurance contract liabilities	(42,324)	(78,673)
Decrease in reinsurance contract liabilities	(6,165)	1,625
Decrease in other receivables	22	114
Decrease in other payables	4,158	1,855
	<hr/>	<hr/>
Cash Generated From Operations	33,917	89,973
Tax paid	(5,362)	(9,916)
Interest received	4,842	7,663
	<hr/>	<hr/>
Net Cash From Operating Activities	33,397	87,720
	<hr/>	<hr/>

(Forward)

	Note	2023 RM'000	Restated 2022 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITY			
Purchase of property and equipment		<u>(61)</u>	<u>(22)</u>
Net Cash (Used In) Investing Activity		<u>(61)</u>	<u>(22)</u>
CASH FLOW USED IN FINANCING ACTIVITIES			
Payment of lease liabilities		(15)	(22)
Payment of dividends		<u>(24,500)</u>	<u>(60,000)</u>
Net Cash Used In Financing Activities		<u>(24,515)</u>	<u>(60,022)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,821	27,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>67,852</u>	<u>40,176</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	<u><u>76,673</u></u>	<u><u>67,852</u></u>

Reconciliation Of Movements In Lease Liabilities To Cash Flows

Amounts recognised in statement of cash flows

	2023 RM'000	2022 RM'000
Included in net cash used in financing activities:		
Payment of lease liabilities	<u>15</u>	<u>22</u>
Total cash outflows for leases	<u><u>15</u></u>	<u><u>22</u></u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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-10, 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 June 2024.

2. 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 New Standard and Amendments to MFRSs

In the current financial year, the Company adopted all the new Standard and Amendments to MFRSs issued by the Malaysian Accounting Standards Board (“MASB”) and effective for annual financial period beginning on or after 1 January 2023 as follows:

MFRS 9	Financial Instruments
MFRS 17	Insurance Contracts
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 9	Interest Rate Benchmark Reform
Amendments to MFRS 9	Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information
Amendments to MFRS 101	Disclosure of Accounting Policies
Amendments to MFRS 108	Disclosure of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 112	International Tax Reform – Pillar Two Model Rules

The adoption of these MFRSs and 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, except as disclosed below:

(a) MFRS 9 *Financial Instruments* and MFRS 17 *Insurance Contracts* (including those relevant Amendments to MFRS 9 and MFRS 17)

The Company has adopted MFRS 17 and MFRS 9 for the first time, including any consequential Amendments to these Standards effective from 1 January 2023.

MFRS 9 replaced MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. However, the Company has elected, under the Amendments to MFRS 4 to apply the temporary exemption from MFRS 9, deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17.

MFRS 17 and MFRS 9 have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts in statement of profit or loss and other comprehensive income and statement of financial position, and presented a third statement in the statement of financial position as of 1 January 2022.

Impact on the transition has been disclosed in Note 27.

(b) Amendments to MFRS 101 *Disclosure of Accounting Policies*

The Company has adopted Amendments to MFRS 101 effective from 1 January 2023. The Amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The Amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the Amendments did not result in any changes to the accounting policies of the Company, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in Note 3.

(c) Amendments to MFRS 112 *International Tax Reform – Pillar Two Model Rules*

The Company has adopted the Amendments to MFRS 112 *Income Taxes* relating to International Tax Reform – Pillar Two Model Rules for the first time in the current financial year. The scope of MFRS 112 was amended to clarify that the standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”), including tax laws that implements qualified domestic minimum top-up taxes described in those rules.

The Company has applied the temporary exception from accounting for deferred taxes arising from Pillar Two model rules, as provided in the International Tax Reform - Pillar Two Model Rules (Amendments to MFRS 112 *Income Taxes*) issued on 2 June 2023. Accordingly, the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Amendments to MFRSs in issue but not yet effective

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

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to MFRS 101	Classification of Liabilities as Current and Non- Current ¹
Amendments to MFRS 101	Non-current Liabilities with Covenants ¹
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements ¹
Amendments to MFRS 121	The Effects of Changes in Foreign Exchange Rates- Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective date deferred to a date to be determined and announced by MASB.

The Directors anticipate that the abovementioned Amendments to MFRSs will be adopted in the annual financial statements of the Company when they become effective. The adoption of these Amendments to MFRSs may have an impact on the financial statements of the Company in the period of initial application. However, it is not practicable to provide a reasonable estimate of the effect of the said Amendments until the Company undertakes a detailed review.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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) 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.

(d) 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 and fittings	3 years
Renovation	3 years

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

(iv) **Impairment**

The carrying amounts of other assets (including property, plant and equipment and right-of-use assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

(e) **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.

(iii) 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'.

(f) 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.

(g) **Non-current assets held for sale**

Non-current assets (and disposal groups) classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

(h) **Financial instruments (Upon adoption MFRS 9)**

(i) **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when, and only when, the Labuan Branch becomes a party to the contractual provisions of the instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

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

The Company categorises financial instruments as follows:

Financial assets

(a) Non-derivative financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of the investment within timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

The Company classifies its financial assets in the following categories: amortised cost and fair value through profit or loss (“FVTPL”). The classification is based on the business model used to manage the financial asset and the contractual cash flow characteristics of the asset. Management determines the classification of its financial assets at initial recognition and the financial assets are not reclassified subsequent to initial recognition unless the business model has changed.

(b) Financial assets at fair value through profit or loss

Financial assets that are managed on a fair value basis and do not meet the objectives of a held to collect or held to collect and sell business model are measured at FVTPL and fall within the scope of other business models. All financial assets not classified as amortised cost or fair value through other comprehensive income (“FVOCI”) are measured at FVTPL. Financial assets at FVTPL include financial assets that are held-for-trading, if it is acquired principally for the purpose of selling in the near term. A financial asset may be designated as FVTPL upon initial recognition if such recognition eliminates or significantly reduces the accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on different basis.

The Company has designated debt instruments as at FVTPL on initial recognition, because the instruments support insurance contract liabilities which are measured at fair value, as doing so significantly reduces measurement inconsistency with the related insurance contract liabilities. These assets would otherwise be measured at FVOCI.

The gains and losses of the financial assets measured at FVTPL, including interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.

(c) Financial assets at amortised cost

A financial asset is measured at amortised cost if both the following conditions are met and the asset is not designated as FVTPL:

- the asset is held within a business model that is held to collect, in which the collection of contractual cash flows from the financial asset is the primary objective and sales are expected to be insignificant or infrequent; and
- the contractual terms of the asset give rise to cash flows that are solely payment of principal and interest (“SPPI”) on the principal amount outstanding.

Cash and cash equivalents and other receivables are measured at amortised cost using the effective interest method less impairment losses. Interest is recognised by applying the effective interest method, except for short-term balances when the effect of discounting is immaterial.

The financial assets at amortised costs are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss. Any gains or loss on derecognition is also recognised in profit or loss.

(d) **Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial Liabilities

(a) **Non-derivative financial liabilities**

The Company classifies and measures its financial liabilities at amortised cost. Financial liabilities at amortised cost are measured at fair value less transaction costs at initial recognition, and subsequently at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(b) **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

(iii) **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(i) **Financial instruments (prior to adoption of MFRS 9)**

(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.

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

The Company categories financial instrument 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. 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 have been met.

All financial assets are subject to review for impairment.

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.

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.

(v) **Impairment of 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) 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.

(j) Insurance and Reinsurance Contracts (upon adoption of MFRS 17)

(i) Key types of insurance contracts issued and reinsurance contracts held

The Company issues the following types of contracts that are accounted for in accordance with MFRS 17.

General business

The Company provides both facultative and treaty (proportional and non-proportional) reinsurance coverage to insurance companies.

The Company accounts for these contracts applying the General Measurement Model.

(ii) **Definition and classification**

A contract is to be classified as a reinsurance contract issued or a reinsurance contract held pursuant to MFRS 17 if a significant insurance risk is thereby assumed or transferred. These contract types are treated according to the same rules, irrespective of whether the contracts were issued, acquired in connection with a merger or acquired as part of a transfer of contracts that do not constitute business combination. Contracts that may take the legal form of an insurance contract but do not transfer any significant insurance risk are classified as investment contracts. The recognition and measurement of such contracts follows the rules for the recognition of financial instruments according to MFRS 9.

Insurance contracts are those contracts that transfer significant insurance risk. A contract that exposes the issuer to financial risk without significant insurance risk is not an insurance contract and is accounted for as an investment contract in accordance with the accounting policies stated below.

(iii) **Level of aggregation**

The Company identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. In Companying insurance contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts.

Each portfolio is subdivided into Company of contracts to which the recognition and measurement requirements of MFRS 17 are applied.

(iv) **Separating components from insurance and reinsurance contracts**

The Company assesses its products to determine whether some of these components are distinct and need to be separated and accounted for applying other MFRS. When these non-insurance components are non-distinct, they are accounted for together with the insurance component applying MFRS 17. The Company has not identified any distinct components that require separation.

The Company had assessed that the insurance contract issued include an investment component under which the Company is required to repay to a policyholder in all circumstances, regardless of an insured event occurring. The Company applies MFRS 17 to account for non-distinct investment components as part of its insurance contracts.

(v) **Recognition**

The Company recognises groups of insurance contracts issued from the earliest of the following dates:

- The beginning of the coverage period of the Company of contracts
- The date when the first payment from a policyholder in the Company becomes due
- The date when a Company of contracts becomes onerous

The Company recognises only contracts issued within a one-year period meeting the recognition criteria by the reporting date. Subject to this limit, a Company of insurance contracts can remain open after the end of the current reporting period. New contracts are included in the Company when they meet the recognition criteria in subsequent reporting periods until such time that all contracts expected to be included within the Company have been recognised.

(vi) **Contract boundaries**

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the Company.

In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, and from applicable laws, regulations and customary business practices. The Company determines that cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or the Company has a substantive obligation to provide the policyholder with insurance contract services.

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the boundary of each contract in the Company.

The Company assesses the contract boundary at initial recognition and at each subsequent reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations.

(vii) **Measurement of insurance contracts issued**

General Measurement Model – initial measurement

The Company measures a group of insurance contracts issued on initial recognition as the sum of the fulfilment value, which is comprised of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows within contract boundary

The fulfilment cash flows are the current unbiased and probability-weighted estimates of the present value of the future cash flows, including a risk adjustment for non-financial risk. In arriving at a probability-weighted mean, the Company considers a range of scenarios to establish a full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of expected future cash flows. The estimates of future cash flows reflect conditions existing at the measurement date including assumptions at that date about the future.

The Company estimates expected future cash flows for a group of contracts at a portfolio level and allocates them to the groups in that portfolio in a systematic and rational way.

When estimating future cash flows, the Company includes all cash flows within the contract boundary including:

- Premiums and any additional cash flows resulting from those premiums
- Reported claims that have not yet been paid, claims incurred but not yet reported, future claims expected to arise from the policy and potential cash inflows from recoveries on future claims covered by existing insurance contracts
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the issued contract belongs
- Claim handling costs
- An allocation of fixed and variable overheads directly attributable to the fulfilment of reinsurance contracts

The Company recognises and measures the liability for the unpaid amounts arising from all groups in aggregate and does not allocate such fulfilment cash flows to specific groups when coverage on contracts has been provided.

The cash flow estimates include both market variables, which are consistent with observable market prices, and non-market variables, which are not contradictory with market information and based on internally and externally derived data.

The Company updates its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Company determines its current expectation of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Company considers the most recent experience and earlier experience, as well as other information.

Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period.

The Company measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability.

In determining discount rates for cash flows that do not vary based on the returns of underlying items, The Company uses a bottom-up approach to estimate discount rates under MFRS 17. The estimated discount rates are the risk-free yield curves adjusted for illiquidity premiums. The risk-free yield curves are determined based on market information on government bonds at the valuation days. The illiquidity premium reflects the differences in liquidity characteristics of the invested financial instruments backing the insurance portfolio versus the government bond.

The Company estimates the discount rate applicable to each group of contracts on initial recognition, which is based on recognised contracts. In the following reporting period, as new contracts are included in the group, the discount rate applicable to the group on initial recognition is revised from the start of the reporting period in which the new contracts are added to the group. The Company re-estimates the discount rate applicable to the group at initial recognition using a weighted average discount rate over the period the contracts in the group are issued.

Risk adjustment for non-financial risk

The Company measures the compensation it would require for bearing the uncertainty about the amount and timing of cash flows arising from insurance contracts, other than financial risk, separately as an adjustment for non-financial risk.

Contractual service margin (CSM)

The CSM is a component of the overall carrying amount of a group of insurance contracts representing unearned profit that the Company will recognise as it provides insurance contract services over the coverage period.

At initial recognition, the Company measures the CSM at an amount that, unless a group of insurance contracts is onerous, results in no gains recognised in profit or loss arising from:

- The expected fulfilment cash flows of the group
- The amount of any derecognised asset for insurance acquisition cash flows allocated to the group
- Any other asset or liability previously recognised for cash flows related to the group
- Any cash flows that have already arisen on the contracts as of that dated

If a group of contracts is onerous, the Company recognises a loss on initial recognition. This results in the carrying amount of the liability for the group being equal to the fulfilment cash flows, and the CSM of the group being nil. A loss component is recognised for any loss on initial recognition of the group of insurance contracts.

The Company determines at initial recognition the group's coverage units and allocates the group's CSM based on the coverage units provided in the period.

The Company allocates contracts acquired with claims in the settlement phase into annual groups based on the expected profitability of the contracts at the date of acquisition. The Company uses the consideration received or paid as an approximation of premiums to calculate the CSM on initial recognition. When, on initial recognition, contracts acquired in a portfolio transfer are determined to be onerous, the excess of the fulfilment cash flows over the consideration received is recognised in profit or loss. For contracts acquired as part of a business combination, the excess, representing the extent to which the contract is onerous, is recognised as part of goodwill (or the gain on a bargain purchase).

Insurance acquisition cash flows

The Company includes insurance acquisition cash flows in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

The Company recognises an asset in respect of costs to secure a portfolio or group of insurance contracts, such as costs of selling and underwriting, when these costs are incurred before the recognition of the group of insurance contracts to which these costs relate. The Company recognises such an asset for each existing or future group of insurance contracts to which insurance acquisition cash flows are allocated. The related portion of the asset for insurance acquisition cash flows is derecognised and included in the measurement of the fulfilment cash flows of the associated group of contracts when the group is initially recognised. When only some of the insurance contracts expected to be included within the group are recognised as at the end of the reporting period, the Company determines the related portion of the asset that is derecognised and included in the group's fulfilment cash flows. The related portion is determined on a systematic and rational allocation method that considers the timing of recognition of the contracts in the group.

At end of each reporting period, the Company reviews the carrying amounts of the asset for insurance acquisition cash flows to determine whether there is an indication that the asset has suffered an impairment. If any such indication exists, the Company adjusts the carrying amount of the asset so that the carrying amount of the asset does not exceed the expected net cash inflow for the associated future groups of contracts. An impairment loss is recognised in profit or loss for the difference. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent the impairment conditions no longer exist or have improved and the cumulative amount of impairment loss reversal does not exceed the impairment loss recognised for the asset in prior years.

Subsequent measurement under the General Measurement Model

In estimating the total future fulfilment cash flows, the Company distinguishes between those relating to already incurred claims and those relating to future service. At the end of each reporting period, the carrying amount of the group of insurance contracts will reflect a current estimate of the liability for remaining coverage (LRC) as at that date and a current estimate of the liability for incurred claims (LIC).

The LRC represents the Company's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred, amounts that relate to other insurance contract services not yet provided and investment components and other amounts not related to insurance contract services that have not yet been transferred to the LIC. The LRC is comprised of (a) the fulfilment cash flows relating to future service, (b) the CSM yet to be earned and (c) any outstanding premiums for insurance contract services already provided.

The LIC includes the Company's liability to pay valid claims for insured events that have already incurred, other incurred insurance expenses arising from past coverage service and the liability for claims incurred but not yet reported. It also includes the Company's liability to pay amounts the Company is obliged to pay the policyholder under the contract. The current estimate of LIC comprises the fulfilment cash flows related to current and past service allocated to the group at the end of reporting period.

Change in fulfilment cash flows

At end of each reporting period, the Company updates the fulfilment cash flows for both LIC and LRC to reflect the current estimates of the amounts, timing and uncertainty of future cash flows, as well as discount rates and other financial variables. The Company has an accounting policy choice which calculates changes in fulfilment cash flows at the end of a reporting period for changes in non-financial assumptions, changes in discount rates and financial assumptions. The Company first calculates the changes in discount rates and financial assumptions on the fulfilment cash flows (as expected at the beginning of the period) and then calculate changes on those cash flows from the change in non-financial assumptions. Experience adjustments are the difference between:

- The expected cash flow estimate at the beginning of the period and the actual cash flows for premiums received in the period (and any related cash flows paid such as insurance acquisition cash flows and insurance premium taxes)
- The expected cash flow estimate at the beginning of the period and the actual incurred amounts of insurance service expenses in the period (excluding insurance acquisition expenses)

Experience adjustments relating to current or past service are recognised in profit or loss. For incurred claims (including incurred but not reported) and other incurred insurance service expenses, experience adjustments always relate to current or past service. They are included in profit or loss as part of insurance service expenses.

Experience adjustments relating to future service are included in the LRC by adjusting the CSM. The release of the CSM depends on whether the contract does not participate, participates indirectly, or directly participates in the performance of the specified underlying items.

At the end of each reporting period, the Company re-estimates the LRC fulfilment cash flows, updating for changes in assumptions relating to financial and non-financial risks.

Adjustments to the CSM

For insurance contracts without direct participating features, the following changes in fulfilment cash flows are considered to be related to future service and adjust (or 'unlock') the CSM of the group of insurance contracts:

- Experience adjustments relating to the premiums received in the period that relate to future service, and any related cash flows such as insurance acquisition cash flows and premium-based taxes measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised.
- The change in the estimate of the present value of expected future cash flows in the liability for remaining coverage, related to non-financial variables, measured at the 'locked in' discount rates applicable when the contracts in the group were initially recognised. All financial variables are locked in at initial recognition.
- Changes in the risk adjustment for non-financial risk relating to future service. The Company has elected not to disaggregate the change in the risk adjustment for non-financial risk between (i) a change related to non-financial risk and (ii) the effect of the time value of money and changes in the time value of money.
- Differences between the amount of investment components that were expected to be payable in the period and the amount of investment components that actually became payable. The amount of investment components expected to be payable in the period is measured at the discount rates applicable before it became payable.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- Changes in fulfilment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof
- Changes in the fulfilment cash flows relating to the LIC
- Experience adjustments relating to insurance service expenses

Any further increases in fulfilment cash flows relating to future coverage are recognised in profit or loss as they occur, increasing the loss component of the group of insurance contracts. Any subsequent decreases in fulfilment cash flows related to future coverage do not adjust the CSM until the loss component of the group is fully reversed through profit or loss.

At the end of the reporting period, the carrying amount of the CSM for a group of insurance contracts without direct participating features is the carrying amount at the beginning of the period adjusted for:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM measured at the discount rates determined at initial recognition
- The changes in fulfilment cash flows related to future service, except:
 - Increases in fulfilment cash flows that exceed the carrying amount of the CSM, giving rise to a loss that results in the group of contracts becoming onerous or more onerous
 - Decreases in fulfilment cash flows that reverse a previously recognised loss on a group of onerous contracts
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining coverage period.

Recognition of the CSM in profit or loss

An amount of the CSM is released to profit or loss in each period during which the insurance contract services are provided. The CSM to be released in each period is on a straight-line basis over the passage of time.

Onerous contracts

The Company considers an insurance contract to be onerous if the expected fulfilment cash flows allocated to the contract, any previously recognised acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow.

On initial recognition, the onerous assessment is done on an individual contract level assessing future expected cash flows on a probability-weighted basis including a risk adjustment for non-financial risk. Contracts expected on initial recognition to be loss-making are grouped together and such groups are measured and presented separately. Once contracts are allocated to a group, they are not re-allocated to another group, unless they are substantively modified.

On initial recognition, the CSM of the group of onerous contracts is nil and the group's measurement consists entirely of fulfilment cash flows. A net outflow expected from a group of contracts determined to be onerous is considered to be the group's 'loss component'. It is initially calculated when the group is first considered to be onerous and is recognised at that date in profit or loss. The amount of the group's loss component is tracked for the purposes of presentation and subsequent measurement.

After the loss component is recognised, the Company allocates any subsequent changes in fulfilment cash flows of the LRC on a systematic basis between the loss component and the LRC excluding the loss component. For groups of onerous contracts, without direct participating features, the Company uses locked-in discount rates. They are determined at initial recognition to calculate the changes in the estimate of future cash flows relating to future service (both changes in a loss component and reversals of a loss component).

Any subsequent decreases in fulfilment cash flows relating to future service allocated to the group (arising from changes in estimates of future cash flows and the risk adjustments for non-financial risk) are allocated first to the loss component only. Once it is exhausted, any further decreases in fulfilment cash flows relating to future service results in the establishment of the group's CSM.

For onerous groups of contracts, revenue is calculated as the amount of insurance service expenses expected at the beginning of the period that form part of revenue and reflects only:

- The change in the risk adjustment for non-financial risk due to expected release from risk in the period (excluding the amount systematically allocated to the loss component)
- The estimates of the present value of future cash flows related to claims expected to incur in the period (excluding the systematic allocation to the loss component)

- The allocation, based on the coverage units, of the portion of premiums that relates to the recovery of the insurance acquisition cash flows

All these amounts are accounted for as a reduction of the LRC excluding the loss component.

The Company recognises amounts in insurance service expenses related to the loss component arising from:

- Changes in fulfilment cash flows arising from changes in estimates related to future service that establish or further increase the loss component
- Subsequent decreases in fulfilment cash flows that relate to future service and reduce the loss component until it is exhausted
- Systematic allocation to the loss component arising both from changes in the risk adjustment for non-financial risk and from incurred insurance services expenses

Reinsurance contracts held

The Company uses proportional and non-proportional treaty reinsurance to mitigate some of its risk exposures. Reinsurance contracts held are accounted for applying MFRS 17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

Reinsurance contracts transfer significant insurance risk only if they transfer to the reinsurer substantially all the insurance risk relating to the reinsured portions of the underlying insurance contracts, even if a reinsurance contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Reinsurance contracts held are accounted for separately from underlying insurance contracts issued and are assessed on an individual contract basis. In aggregating reinsurance contracts held, the Company determines portfolios in the same way as it determines portfolios of underlying insurance contracts issued. The Company considers that each product line reinsured at the ceding entity level to be a separate portfolio. The Company disaggregates a portfolio of its reinsurance contracts held into three groups of contracts:

- Contracts that on initial recognition have a net gain
- Contracts that, on initial recognition, have no significant possibility of resulting in a net gain subsequently

- Any remaining reinsurance contracts held in the portfolio

In determining the timing of initial recognition of a reinsurance contract held, the Company assesses whether the reinsurance contract's terms provide protection on losses on a proportionate basis. The Company recognises a group of reinsurance contracts held that provides proportionate coverage:

- At the start of the coverage period of that group of reinsurance contracts held
- At the initial recognition of any of the underlying insurance contracts, whichever is later

The Company recognises a group of non-proportional reinsurance contracts at the earliest of the beginning of the coverage period of the group or the date an underlying onerous group of contracts is recognised.

The boundary of a reinsurance contract held includes cash flows resulting from the underlying contracts covered by the reinsurance contract held. This includes cash flows from insurance contracts that are expected to be issued by the Company in the future if these contracts are expected to be issued within the boundary of the reinsurance contract held.

Cash flows are within the boundary of a reinsurance contract held, if they arise from the substantive rights and obligations of the cedant that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

Reinsurance contracts held measured under the General Measurement Model

The Company's reinsurance contracts held are accounted for applying the measurement requirements of the General Measurement Model for estimates of cash flows and discount rates. The Company measures the reinsurance contracts held and the underlying insurance contracts issued using consistent assumptions. The Company includes in the estimates of the present value of expected future cash flows for a group of reinsurance contracts held the effect of any risk of non-performance by the reinsurer, including the effects of any collateral and losses from disputes. The effect of non-performance risk of the reinsurer is assessed at each reporting date.

In determining the asset representing the risk adjustment for non-financial risk transferred to the reinsurer, the Company assesses the amount of risk transferred by the Company to the reinsurer by calculating the risk adjustment of the underlying contracts before and after the effect of the reinsurance contracts held. The difference is recognised as the asset representing the risk adjustment reinsured.

On initial recognition, the Company recognises any net cost or net gain on purchasing the group of reinsurance contracts held as a reinsurance CSM, unless the net cost of purchasing reinsurance coverage relates to events that occurred before the purchase of the group of reinsurance contracts, where the Company recognises such a cost immediately in profit or loss as an expense as part of insurance service result.

For a group of reinsurance contracts held, on initial recognition of an underlying onerous group of insurance contracts or on addition of onerous underlying insurance contracts to a group, the Company establishes a loss recovery component and, as a result, recognises a gain in profit or loss. The amount of the loss recovery component adjusts the CSM of a group of reinsurance contracts held. It is calculated at an amount equal to the loss recognised on the underlying insurance contracts multiplied by the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. After initial recognition, the carrying amount of the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held. Reversal of the loss recovery component adjusts the CSM and the risk adjustment of the group of reinsurance contracts held. After establishing a reinsurance loss recovery component, except for further additions of onerous contracts to the underlying groups, its amount is adjusted for:

- Changes in fulfilment cash flows of underlying insurance contracts related to future service and do not adjust the CSM of their respective groups

- Loss recovery component reversals to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held

These adjustments are calculated and presented in profit or loss.

The Company adjusts the carrying amount of the CSM of a group of reinsurance contracts held at the end of a reporting period to reflect changes in the fulfilment cash flows applying the same approach as for insurance contracts issued, except when the underlying contract is onerous and the change in the fulfilment cash flows for underlying insurance contracts is recognised in profit or loss by adjusting the loss component. The respective changes in reinsurance contracts held is also recognised in profit and loss (adjusting the loss recovery component).

(viii) **Modification and derecognition**

The Company derecognises the original contract and recognises the modified contract as a new contract, if the terms of insurance contracts are modified and the following conditions are met:

- If the modified terms were included at contract inception and the Company would have concluded that the modified contract:
 - Is outside of the scope of MFRS 17
 - Results in a different insurance contract due to separating components from the host contract
 - Results in a substantially different contract boundary
 - Would be included in a different group of contracts

If the contract modification meets any of the conditions, the Company performs all assessments applicable at initial recognition, derecognises the original contract and recognises the new modified contract as if it was entered for the first time.

If the contract modification does not meet any of the conditions, the Company treats the effect of the modification as changes in the estimates of fulfilment cash flows.

For insurance contracts accounted for applying the General Measurement Model, a change in the estimates of fulfilment cash flows results in a revised end of period CSM (before the current period allocation). A portion of the revised end of period CSM is allocated to the current period, as is the revised CSM amount applied from the beginning of the period but reflecting the change in the coverage units due to the modification during the period. This portion is calculated using updated coverage unit amounts determined at the end of the period and weighted to reflect the fact that the revised coverage existed for only part of the current period.

(ix) **Presentation**

The Company has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts that are assets and those that are liabilities, and the portfolios of reinsurance contracts held that are assets and those that are liabilities.

The Company disaggregates the amounts recognised in the statement of profit or loss and other comprehensive income into an insurance service result sub-total that comprises insurance revenue and insurance service expenses and, separately from the insurance service result, the 'net insurance finance income or expenses' sub-total. The Company has voluntarily included the net insurance finance income or expenses line in another subtotal: net insurance and investment result, which also includes the income from all the assets backing the Company's insurance liabilities.

The Company includes any assets for insurance acquisition cash flows recognised before the corresponding groups of insurance contracts are recognised in the carrying amount of the related portfolios of insurance contracts issued.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. It includes the entire change as part of the insurance service result.

(x) **Insurance revenue**

As the Company provides insurance services under a group of insurance contracts issued, it reduces its LRC and recognises insurance revenue, which is measured at the amount of consideration the Company expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the General Measurement Model, insurance revenue consists of the sum of the changes in the LRC due to:

- The insurance service expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - Amounts allocated to the loss component
 - Repayments of investment components
 - Amounts that relate to transaction-based taxes collected on behalf of third parties
 - Insurance acquisition expenses
- The change in the risk adjustment for non-financial risk, excluding:
 - Changes that relate to future service that adjust the CSM
 - Amounts allocated to the loss component
- The amount of CSM for the services provided in the period
- Other amounts, such as experience adjustments for premium receipts that relate to current or past service, if any

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

At end of each reporting period, the Company considers whether there was a change in facts and circumstances indicating a need to change, on a prospective basis, the premium receipt allocation due to changes in the expected pattern of claim occurrence.

(xi) **Insurance service expense**

Insurance service expenses arising from a group of insurance contracts issued comprises:

- Changes in the LIC related to claims and expenses incurred in the period excluding repayment of investment components
- Changes in the LIC related to claims and expenses incurred in prior periods (related to past service)
- Other directly attributable insurance service expenses incurred in the period
- Amortisation of insurance acquisition cash flows, which is recognised at the same amount in both insurance service expenses and insurance contract revenue
- Loss component of onerous groups of contracts initially recognised in the period
- Changes in the LRC related to future service that do not adjust the CSM, because they are changes in the loss components of onerous groups of contracts

Income or expenses from reinsurance contracts held

The Company presents income or expenses from a group of reinsurance contracts held and reinsurance finance income or expenses in profit or loss for the period separately. Income or expenses from reinsurance contracts held are split into the following two amounts:

- Amount recovered from reinsurers
- An allocation of the premiums paid

The Company presents cash flows that are contingent on claims as part of the amount recovered from reinsurers. Ceding commissions that are not contingent on claims of the underlying contracts are presented as a deduction in the premiums to be paid to the reinsurer which is then allocated to profit or loss.

The Company establishes a loss recovery component of the asset for the remaining coverage for a group of reinsurance contracts held. This depicts the recovery of losses recognised on the initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to a group. The loss recovery component adjusts the CSM of the group of reinsurance contracts held. The loss recovery component is then adjusted to reflect:

- Changes in the fulfilment cash flows of the underlying insurance contracts that relate to future service and do not adjust the CSM of the respective groups to which the underlying insurance contracts belong to
- Reversals of loss recovery component to the extent those reversals are not changes in the fulfilment cash flows of the group of reinsurance contracts held
- Allocations of the loss recovery component against the amounts recovered from reinsurers reported in line with the associated reinsured incurred claims or expenses

Insurance finance income and expenses

Insurance finance income or expenses present the effect of the time value of money and the change in the time value of money, together with the effect of financial risk and changes in financial risk of a group of insurance contracts and a group of reinsurance contracts held.

For treaty reinsurance contracts held measured applying the General Measurement Model, the Company has elected to present all insurance finance income or expenses in profit or loss.

Exchange differences arising from changes in the carrying amount of groups of insurance contracts issued and reinsurance contracts held are recognised in profit or loss in the period in which they arise.

The amounts arising from changes in exchange rates between the currency of the group of contracts and the functional currency are considered as exchange differences and are recognised in profit or loss in the period in which they arise.

Contracts existing at transition date

(a) Contracts measured under the full retrospective approach

For General reinsurance contracts issued, the Company elected to apply the fair value approach for groups of insurance contracts issued before 2017 and apply full retrospective approach for group of insurance contracts issued in or after 2018.

(b) Contracts measured applying the fair value approach

The Company concluded that reasonable and supportable information for application of the modified retrospective approach was not available for all insurance contracts issued more than 5 years prior to the date of transition and therefore applied the fair value approach for those contracts.

The Company uses reasonable and supportable information available at the transition date to:

- Identify groups of insurance contracts

- Determine whether an insurance contract meets the definition of an insurance contract with direct participation features
- Identify discretionary cash flows for insurance contracts without direct participation features

(c) Measurement at the transition date

In applying the fair value approach at the transition date, the CSM or loss component of the LRC was estimated as the difference between the fair value and the fulfilment cash flows of the group of contracts as of that date. In determining fair value, the Company used unearned premiums reserve as at the transition date as a proxy.

(d) Discount rates

The Company used discount rates as at the date of transition, instead of discount rates as at the date of initial recognition and as locked-in rates for all claims incurred before the date of transition.

(e) Reinsurance contracts held

For a group of reinsurance contracts held the Company determines the loss-recovery component of the asset for remaining coverage at transition by multiplying the loss component of the liability for remaining coverage for the underlying insurance contracts at the transition date with the percentage of claims for the group of underlying onerous insurance contracts that the Company expects to recover from the Company of reinsurance contracts held.

(k) **Insurance and reinsurance contracts (prior to the adoption of MFRS 17)**

(i) **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.

(ii) 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.

(a) Facultative business

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

(b) **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 2020 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
- (ii) the deposits retained from foreign reinsurers for which premiums are accounted during the preceding twelve months.

Therefore, the Company has applied the MFRS 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.

(iii) 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.

(iv) Acquisition cost and deferred acquisition costs

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.

Deferred acquisition costs are derecognised when the related contracts are either settled or disposed off.

(v) 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.

(l) **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.

(m) **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.

(n) **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.

(o) **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.

(p) **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, 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.

4. **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:

(a) **Selecting a method of allocation of coverage units**

MFRS 17 establishes a principle for determining coverage units, not a set of detailed requirements or methods. The selection of the appropriate method for determining the amount of coverage units is not an accounting policy choice. It involves the exercise of significant judgement and development of estimates considering individual facts and circumstances. The Company selects the appropriate method on a portfolio-by-portfolio basis. In determining the appropriate method, the Company considers the likelihood of insured events occurring to the extent that they affect expected period of coverage in the group, different levels of service across the period and the quantity of benefits expected to be received by the policyholder. The weights are recalculated in each subsequent period, reflecting historical experience and changes in assumptions for future periods that are determined at the end of the reporting period.

(b) **Insurance contract assets and liabilities and reinsurance contract assets and liabilities**

By applying MFRS 17 to measurement of insurance contracts issued and reinsurance contracts held, the Company has made estimations in the following key areas. They form part of the overall balances of insurance contract assets and liabilities and reinsurance contract assets and liabilities:

- Future cash flows
- Discount rates
- Risk adjustment for non-financial risk

(i) **Technique for estimation of future cash flows**

In estimating fulfilment cash flows included in the contract boundary, the Company considers the range of all possible outcomes in an unbiased way specifying the amount of cash flows, timing and probability of each scenario reflecting conditions existing at the measurement date, using a probability-weighted average expectation. The probability-weighted average represents the probability-weighted mean of all possible scenarios. In determining possible scenarios, the Company uses all the reasonable and supportable information available to them without undue cost and effort, which includes information about past events, current conditions and future forecasts.

Cash flow estimates include both market variables directly observed in the market or derived directly from markets and non-market variables such as inflation projections, market claims ratio and others. The Company maximises the use of observable inputs for market variables and utilises internally generated group-specific data.

In measuring General business, the Company projects the cashflows from patterns and ultimate values derived using various reserving techniques. These methods include Incurred Chain Development (“ICD”) Method, Incurred Bornhuetter-Ferguson (“BF”) method and Expected Loss Ratio method. In the reserve valuation, loss statistics are arranged by underwriting year.

(ii) Method of estimating discount rates

In determining discount rates for different reinsurance contracts issued, the Company uses a bottom-up approach to determine the discount rates as risk-free yield curves adjusted for illiquidity premiums reflecting the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts. The risk-free yield curves are determined based on market information on government bonds on the valuation days. The illiquidity premium reflects the differences in liquidity characteristics of the invested financial instruments backing the insurance portfolio versus the government bond.

The following risk free yield curves are applied in the discounting process:

2023	Currency	1 year	5 years	10 years	20 years	30 years
General	USD	<u>4.70%</u>	<u>3.79%</u>	<u>3.84%</u>	<u>4.91%</u>	<u>4.57%</u>
business	MYR	<u>3.26%</u>	<u>3.60%</u>	<u>3.71%</u>	<u>4.38%</u>	<u>4.51%</u>

2022	Currency	1 year	5 years	10 years	20 years	30 years
General	USD	<u>4.64%</u>	<u>3.94%</u>	<u>3.82%</u>	<u>4.15%</u>	<u>3.86%</u>
business	MYR	<u>3.46%</u>	<u>3.83%</u>	<u>4.05%</u>	<u>4.35%</u>	<u>4.89%</u>

When applying the above risk free yield curve, a 0.5% illiquidity premium load is added to discount the cash flow.

(iii) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows arising from insurance risk and other non-financial risks. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows. It measures the degree of variability of expected future cash flows and the Company-specific price for bearing that risk and reflects the degree of the Company's risk aversion. The Company determines the risk adjustment for non-financial risk at the entity level and then allocates it to all the groups of insurance contracts. In estimating the risk adjustment, the Company uses percentage of claim approach to calculate risk adjustment for non-financial risk, where the claims serve as carrier of risk adjustment. The policy liabilities under Risk-Based Capital (RBC) Framework reporting consist of a best estimate liability and a provision for adverse deviation (PAD). The PAD under RBC Framework represents an additional component of the policy liability that is allowed for the uncertainty of the best estimate value and its calculation covers all insurance risk and non-financial risks.

5. **PROPERTY AND EQUIPMENT**

	Buildings RM'000	Computer equipment RM'000	Office RM'000	Furniture and fittings RM'000	Renovation RM'000	Total RM'000
<i>Cost/Valuation</i>						
As at 1 January 2022	8,125	1,312	215	259	368	10,279
Addition	-	19	3	-	-	22
Write-off	-	(20)	-	-	-	(20)
As at 31 December 2022/ 1 January 2023	8,125	1,311	218	259	368	10,281
Addition	-	-	-	-	61	61
Transfer to non-current assets held for sale (Note 7)	(8,125)	-	-	-	-	(8,125)
As at 31 December 2023	-	1,311	218	259	429	2,217

(Forward)

	Buildings RM'000	Computer equipment RM'000	Office RM'000	Furniture and fittings RM'000	Renovation RM'000	Total RM'000
Accumulated depreciation						
As at 1 January 2022	18	1,303	214	259	368	2,162
Charge for the year	216	6	1	-	-	223
Revaluation of property	(216)	-	-	-	-	(216)
Write-off	-	(20)	-	-	-	(20)
As at 31 December 2022/ 1 January 2023	18	1,289	215	259	368	2,149
Charge for the year	197	10	1	-	2	210
Transfer to non-current assets held for sale (Note 7)	(215)	-	-	-	-	(215)
As at 31 December 2023	-	1,299	216	259	370	2,144
Net book value						
As at 31 December 2022	8,107	22	3	-	-	8,132
As at 31 December 2023	-	12	2	-	59	73

As at 31 December 2023, included in the property, plant and equipment are fully depreciated assets which are still in use with costs of RM2,156,000 (2022: RM2,123,000).

Buildings comprised the office premises located in Kuala Lumpur, Malaysia, and the Company had engaged 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, to perform a valuation update of the Company's buildings on 16 December 2022. The revalued amounts are based on open market values, being the estimated amount for which a property could be exchanged on the date of 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 as at 31 December 2022 were amounting to RM4,972,000. Fair value of buildings as at 31 December 2022 was measured at Level 2 which amounting to RM8,125,000.

As disclosed in Note 7, the buildings of the Company were reclassified to non-current assets held for sale subsequent to the Company entered into a sale and purchase agreement with a third-party buyer to dispose off the buildings. As such, these buildings which were previously classified as property and equipment are classified as non-current assets held for sale as at 31 December 2023. Transfer of ownership was subsequently completed in May 2024.

6. INVESTMENT PROPERTIES

	2023	2022
	RM'000	RM'000
As at 1 January	24,660	24,660
Change in fair value (Note 17)	(436)	-
Transfer to non-current assets held for sale (Note 7)	<u>(24,224)</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>24,660</u>

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

On 22 December 2023, the Company entered into a sale and purchase agreement with a third-party buyer to dispose off all the investment properties held. As at 31 December 2023, approval of the sale was pending for approval from local authorities. As such, these investment properties which were previously classified as investment properties under MFRS 140 (fair value model) are classified as non-current assets held for sale as at 31 December 2023. Transfer of ownership was subsequently completed in May 2024.

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

	2023	2022
	RM'000	RM'000
Lease income (Note 17)	1,290	1,089
Direct operating expenses (Note 17)	(719)	(473)
Fair value loss (Note 17)	<u>(436)</u>	<u>-</u>

Fair value information

Fair value of investment properties is categorised as follows:

	Level 2	
	2023	2022
	RM'000	RM'000
Buildings	<u>-</u>	<u>24,660</u>

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.

7. NON-CURRENT ASSETS HELD FOR SALE

	2023
	RM'000
At beginning of year	-
Transfer from investment properties (Note 6)	24,224
Transfer from property, plant and equipment (Note 5)	<u>7,910</u>
At end of year	<u>32,134</u>

The non-current assets held for sale of the Company comprise a number of office premises under the Company's ownership as at 31 December 2023.

8. INVESTMENTS

All the Company's investments are classified as financial assets measured at fair value through profit or loss ("FVTPL") upon adoption of MFRS 9. Prior to this adoption of MFRS 9, these investments were classified as available-for-sale financial assets.

The carrying values of the financial assets are measured at fair value and comprised the following:

	2023 RM'000	2022 RM'000
Unquoted in Malaysia		
Corporate debt securities	<u>44,972</u>	<u>67,828</u>

(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.

(b) Carrying values of investments

	2023 RM'000	(Restated) 2022 RM'000
As at 1 January	67,828	169,373
Additions	1,270	13,729
Disposals/Maturities/Repayments	(24,500)	(113,490)
Fair value gain/(loss) recognised in profit and loss (Note 17)	<u>374</u>	<u>(1,784)</u>
As at 31 December	<u>44,972</u>	<u>67,828</u>

9. OTHER RECEIVABLES AND PREPAYMENTS

	2023 RM'000	2022 RM'000
Accrued interest income	465	798
Other receivables	56	2
Prepayments	<u>75</u>	<u>-</u>
	<u>596</u>	<u>800</u>

10. **CASH AND CASH EQUIVALENTS**

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

	2023 RM'000	2022 RM'000
Cash and bank balances	7,547	22,976
Fixed deposits with licensed banks in Malaysia:		
Maturities of less than 3 months	69,126	44,876
	<u>76,673</u>	<u>67,852</u>

11. **SHARE CAPITAL AND RESERVES**

(a) **Share capital**

	Amount 2023 RM'000	Number of shares 2023 '000	Amount 2022 RM'000	Number of shares 2022 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
As at 1 January/31 December	<u>125,000</u>	<u>150,000</u>	<u>125,000</u>	<u>150,000</u>

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

(b) **Reserves**

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

	31.12.2023 RM'000	(Restated) 31.12.2022 RM'000	(Restated) 1.1.2022 RM'000
Property revaluation reserve	2,552	2,552	2,388
Retained earnings	6,561	26,590	75,367
	<u>9,113</u>	<u>29,142</u>	<u>77,755</u>

Property revaluation reserve

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

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. DIVIDENDS

	2023	2022
	RM'000	RM'000
Single-tier final dividend of approximately 16.33 sen (2022: 40 sen) per ordinary share in respect of financial year ended 31 December 2022 (2022: 31 December 2021)	<u>24,500</u>	<u>60,000</u>

13. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RM'000	RM'000
Other payables	2,726	316
Amount due to immediate holding company	4,004	2,105
Accrued liabilities	1,528	1,959
Accrued restructuring expenses	<u>3,384</u>	<u>3,104</u>
	<u>11,642</u>	<u>7,484</u>

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

Accrued restructuring expenses represent the retention compensation for staff termination payments as part of the planned closure of the Company's run-off business.

14. **DEFERRED TAX LIABILITIES**

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

	2023 RM'000	2022 RM'000
Deferred tax liabilities	<u>1,607</u>	<u>1,273</u>

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

	2023 RM'000	2022 RM'000
Temporary differences arising from:		
Non-current assets held for sale (2022: Investment properties)	(889)	(994)
Property revaluation reserve	(807)	(807)
Accrued liabilities	1,039	876
MFRS 17 transition impact	(345)	-
Others	<u>(605)</u>	<u>(348)</u>
Net deferred tax liabilities	<u>(1,607)</u>	<u>(1,273)</u>

Movement in temporary differences during the financial year is as follows:

	As at 1.1.2022 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income RM'000	As at 31.12.2022/ 1.1.2023 RM'000	Recognised in profit or loss (Note 21) RM'000	As at 31.12.2023 RM'000
Non-current assets held for sale (2022: Investment properties)	(994)	-	-	(994)	105	(889)
Property revaluation reserve	(755)	-	(52)	(807)	-	(807)
Accrued liabilities	688	188	-	876	163	1,039
MFRS 17 transition impact	-	-	-	-	(345)	(345)
Others	79	(427)	-	(348)	(257)	(605)
Total	(982)	(239)	(52)	(1,273)	(334)	(1,607)

15. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

	31.12.2023	31.12.2022	1.1.2022
	RM'000	RM'000	RM'000
(a) Insurance contracts issued:			
Insurance contract assets	15,319	39,475	45,241
Insurance contract liabilities	<u>(48,738)</u>	<u>(91,062)</u>	<u>(169,735)</u>
Net	<u>(33,419)</u>	<u>(51,587)</u>	<u>(124,494)</u>
(b) Reinsurance contracts held:			
Reinsurance contract assets	23,004	49,725	99,734
Reinsurance contract liabilities	<u>(350)</u>	<u>(6,515)</u>	<u>(4,890)</u>
Net	<u>22,654</u>	<u>43,210</u>	<u>94,844</u>

(a) **Insurance contracts issued**

(i) **Reconciliation of the liability for remaining coverage and the liability for incurred claims**

2023 Insurance contracts issued	LFRC		LIC		Total RM'000
	Excluding loss component RM'000	Loss component RM'000	BEL RM'000	RA RM'000	
Insurance contract assets as at 1 January 2023	(39,475)	-	-	-	(39,475)
Insurance contract liabilities as at 1 January 2023	(292)	709	76,349	14,296	91,062
Net insurance contract liabilities/(assets) as at 1 January 2023	(39,767)	709	76,349	14,296	51,587
Insurance revenue					
Contracts measured under the fair value approach	(369)	-	-	-	(369)
New contracts and contracts measured under the full retrospective approach	(554)	-	-	-	(554)
Total insurance revenue (Note 16)	(923)	-	-	-	(923)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	(439)	-	-	(439)
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	(9,794)	(5,662)	(15,456)
Losses on onerous contracts and reversals of those losses	-	308	-	-	308
Insurance acquisition cash flows amortisation	1,176	-	-	-	1,176

(Forward)

Insurance contracts issued	LFRC		LIC		Total RM'000
	Excluding loss component RM'000	Loss component RM'000	BEL RM'000	RA RM'000	
Total insurance service expenses (Note 16)	1,176	(131)	(9,794)	(5,662)	(14,411)
Insurance service result	253	(131)	(9,794)	(5,662)	(15,334)
Finance expenses from insurance contracts issued	32	15	8,621	-	8,668
Total amounts recognised in profit or loss	285	(116)	(1,173)	(5,662)	(6,666)
Investment components	(343)	-	343	-	-
Cash flows					
Premium received	26,059	-	-	-	26,059
Claims and other directly attributable expenses paid	-	-	(36,138)	-	(36,138)
Insurance acquisition cash flows paid	(1,423)	-	-	-	(1,423)
Total cash flows	24,636	-	(36,138)	-	(11,502)
Insurance contract assets as at 31 December 2023	(15,319)	-	-	-	(15,319)
Insurance contract liabilities as at 31 December 2023	130	593	39,381	8,634	48,738
Net insurance contract liabilities/(assets) as at 31 December 2023	(15,189)	593	39,381	8,634	33,419

2022

Insurance contracts issued	LFRC		LIC		Total RM'000
	Excluding loss component RM'000	Loss component RM'000	BEL RM'000	RA RM'000	
Insurance contract assets as at 1 January 2022	(45,241)	-	-	-	(45,241)
Insurance contract liabilities as at 1 January 2022	(537)	142	143,100	27,030	169,735
Net insurance contract liabilities/(assets) as at 1 January 2022	(45,778)	142	143,100	27,030	124,494
Insurance revenue					
Contracts measured under the fair value approach	(468)	-	-	-	(468)
New contracts and contracts measured under the full retrospective approach	205	-	-	-	205
Total insurance revenue	(263)	-	-	-	(263)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	(535)	751	-	216
Changes that relate to past service – changes in the FCF relating to the LIC	-	-	(31,485)	(12,734)	(44,219)
Losses on onerous contracts and reversals of those losses	-	1,087	-	-	1,087
Insurance acquisition cash flows amortisation	968	-	-	-	968
Total insurance service expenses	968	552	(30,734)	(12,734)	(41,948)
Insurance service result	705	552	(30,734)	(12,734)	(42,211)

(Forward)

Insurance contracts issued	LFRC		LIC		Total RM'000
	Excluding loss component RM'000	Loss component RM'000	BEL RM'000	RA RM'000	
Finance (income)/ expenses from insurance contracts issued	50	15	(1,601)	-	(1,536)
Total amounts recognised in profit or loss	755	567	(32,335)	(12,734)	(43,747)
Investment components	(293)	-	293	-	-
Cash flows					
Premium received	7,026	-	-	-	7,026
Claims and other directly attributable expenses paid	-	-	(34,709)	-	(34,709)
Insurance acquisition cash flows paid	(1,477)	-	-	-	(1,477)
Total cash flows	5,549	-	(34,709)	-	(29,160)
Insurance contract assets as at 31 December 2022	(39,475)	-	-	-	(39,475)
Insurance contract liabilities as at 31 December 2022	(292)	709	76,349	14,296	91,062
Net insurance contract liabilities/(assets) as at 31 December 2022	(39,767)	709	76,349	14,296	51,587

(ii) **Reconciliation of the measurement components of insurance contract balances**

2023

Insurance contracts issued	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Insurance contract assets as at 1 January 2023	(39,475)	-	-	-	(39,475)
Insurance contract liabilities as at 1 January 2023	76,586	14,319	54	103	91,062
Net insurance contract liabilities/(assets) as at 1 January 2023	37,111	14,319	54	103	51,587
Changes that relate to current service CSM recognised for services provided	721	(38)	(344)	(525)	(186)
Change in the risk adjustment for nonfinancial risk for the risk expired	-	255	-	-	255
Experience adjustments - arising from premiums received in the period that relate to current service	879	-	-	-	879
Experience adjustments - relating to insurance service expenses	(158)	(293)	-	-	(451)
Changes that relate to future service	(505)	16	312	485	308
Changes in estimates that adjust the CSM	(567)	(230)	312	485	-
Changes in estimates that result in onerous contract losses or reversals of those losses	62	246	-	-	308

(Forward)

Insurance contracts issued	Contractual Service Margin				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contracts measured under the fair value approach at transition	New contracts and contracts measured under the full retrospective approach at transition	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Changes that relate to past services	(9,794)	(5,662)	-	-	(15,456)
Changes that relate to past service - changes in the FCFs relating to the LIC	(9,794)	(5,662)	-	-	(15,456)
Insurance service result	(9,578)	(5,684)	(32)	(40)	(15,334)
Finance expenses from insurance contracts issued	8,661	-	-	7	8,668
Total amounts recognised in profit or loss	(917)	(5,684)	(32)	(33)	(6,666)
Cashflows					
Premiums received	26,059	-	-	-	26,059
Claims and other directly attributable expenses paid	(36,138)	-	-	-	(36,138)
Insurance acquisition cash flows paid	(1,423)	-	-	-	(1,423)
Total cash flows	(11,502)	-	-	-	(11,502)
Insurance contract assets as at 31 December 2023	(15,319)	-	-	-	(15,319)
Insurance contract liabilities as at 31 December 2023	40,011	8,635	22	70	48,738
Net insurance contract liabilities/(assets) as at 31 December 2023	24,692	8,635	22	70	33,419

2022

Insurance contracts issued	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contractual Service Margin Contracts measured under the fair value approach at transition RM'000	New contracts and contracts measured under the full retrospective approach at transition RM'000	Total RM'000
Insurance contract assets as at 1 January 2022	(45,241)	-	-	-	(45,241)
Insurance contract liabilities as at 1 January 2022	142,524	27,091	-	120	169,735
Net insurance contract liabilities/(assets) as at 1 January 2022	97,283	27,091	-	120	124,494
Changes that relate to current service CSM recognised for services provided	3,681	(84)	(582)	(2,092)	923
Changes in the risk adjustment for non-financial risk for the risk expired	-	-	(582)	(2,092)	(2,674)
Experience adjustments - arising from premiums received in the period that relate to current service	-	300	-	-	300
Experience adjustments - relating to insurance service expenses	3,250	-	-	-	3,250
	431	(384)	-	-	47
Changes that relate to future service	(1,626)	46	625	2,040	1,085
Changes in estimates that adjust the CSM	(1,767)	(898)	625	2,040	-
Changes in estimates that result in onerous contract losses or reversals of those losses	141	944	-	-	1,085

(Forward)

Insurance contracts issued	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin	Contracts measured under the fair value approach at transition	Service Margin	Total
	RM'000	RM'000	measured under the full retrospective approach at transition	RM'000	RM'000	RM'000
Changes that relate to past services	(31,485)	(12,734)	-	-	-	(44,219)
Changes that relate to past service - changes in the FCFs relating to the LIC	(31,485)	(12,734)	-	-	-	(44,219)
Insurance service result	(29,430)	(12,772)	43	(52)	-	(42,211)
Finance(income)/expenses from insurance contracts issued	(1,582)	-	11	35	-	(1,536)
Total amounts recognised in profit or loss	(31,012)	(12,772)	54	(17)	-	(43,747)
Cashflows						
Premiums received	7,026	-	-	-	-	7,026
Claims and other directly attributable expenses paid	(34,709)	-	-	-	-	(34,709)
Insurance acquisition cash flows paid	(1,477)	-	-	-	-	(1,477)
Total cash flows	(29,160)	-	-	-	-	(29,160)
Insurance contract assets as at 31 December 2022	(39,475)	-	-	-	-	(39,475)
Insurance contract liabilities as at 31 December 2022	76,586	14,319	54	103	-	91,062
Net insurance contract liabilities/(assets) as at 31 December 2022	37,111	14,319	54	103	-	51,587

(iii) **Analysis of finance income and expenses**

Finance (expenses)/income from insurance contracts issued	2023 RM'000	2022 RM'000
Interest accretion	(1,993)	(1,129)
Effect of changes in interest rates and other financial assumptions	(268)	4,667
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	(9)	(43)
Foreign exchange differences	<u>(6,398)</u>	<u>(1,959)</u>
Finance (expenses)/income from insurance contracts issued	<u>(8,668)</u>	<u>1,536</u>

(b) Reinsurance contracts held**(i) Reconciliation of the remaining coverage and incurred**

2023	Remaining Coverage Component		Incurred claims		Total RM'000
	Reinsurance contracts held	Excluding loss recovery component RM'000	Loss recovery component RM'000	Present value of future cash flows RM'000	
Reinsurance contract assets as at 1 January 2023	260	-	(41,195)	(8,790)	(49,725)
Reinsurance contract liabilities as at 1 January 2023	6,477	-	32	6	6,515
Net reinsurance contract liabilities /(assets) as at 1 January 2023	6,737	-	(41,163)	(8,784)	(43,210)
Reinsurance expenses	680	-	-	-	680
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	4,177	4,195	8,372
Net expenses from reinsurance contracts held	680	-	4,177	4,195	9,052
Finance (income)/ expenses from reinsurance contracts held	10	-	(550)	-	(540)
Total amounts recognised in profit or loss	690	-	3,627	4,195	8,512
Cashflows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	(7,009)	-	-	-	(7,009)
Recoveries from reinsurance	-	-	19,053	-	19,053
Total cash flows	(7,009)	-	19,053	-	12,044

(Forward)

2023 Reinsurance contracts held	Remaining Coverage Component		Incurred claims		Total RM'000
	Excluding loss recovery component RM'000	Loss recovery component RM'000	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	
Reinsurance contract assets as at 31 December 2023	88	-	(18,499)	(4,593)	(23,004)
Reinsurance contract liabilities as at 31 December 2023	330	-	16	4	350
Net reinsurance contract liabilities/(assets) as at 31 December 2023	418	-	(18,483)	(4,589)	(22,654)

2022 Reinsurance contracts held	Remaining Coverage Component		Incurred claims		Total RM'000
	Excluding loss recovery component RM'000	Loss recovery component RM'000	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	
Reinsurance contract assets as at 1 January 2022	818	-	(83,497)	(17,055)	(99,734)
Reinsurance contract liabilities as at 1 January 2022	4,997	-	(89)	(18)	4,890
Net reinsurance contract liabilities/(assets) as at 1 January 2022	5,815	-	(83,586)	(17,073)	(94,844)
Reinsurance expenses	(476)	-	-	-	(476)
Changes that relate to past service - changes in the FCF relating to incurred claims recovery	-	-	20,274	8,289	28,563
Net expenses from reinsurance contracts held	(476)	-	20,274	8,289	28,087
Finance (income)/expenses from reinsurance contracts held	4	-	232	-	236
Total amounts recognised in profit or loss	(472)	-	20,506	8,289	28,323

(Forward)

Reinsurance contracts held	Remaining Coverage Component		Incurred claims		Total RM'000
	Excluding loss recovery component RM'000	Loss recovery component RM'000	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	
Cashflows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,394	-	-	-	1,394
Recoveries from reinsurance	-	-	21,917	-	21,917
Total cash flows	1,394	-	21,917	-	23,311
Reinsurance contract assets as at 31 December 2022	260	-	(41,195)	(8,790)	(49,725)
Reinsurance contract liabilities as at 31 December 2022	6,477	-	32	6	6,515
Net reinsurance contract liabilities/(assets) as at 31 December 2022	6,737	-	(41,163)	(8,784)	(43,210)

(ii) Reconciliation of the measurement components of insurance contract balances

2023

Reinsurance contracts held	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contractual Service Margin Contracts measured under the fair value approach at transition RM'000	New contracts and contracts measured under the full retrospective approach at transition RM'000	Total RM'000
Reinsurance contract assets as at 1 January 2023	(40,935)	(8,790)	-	-	(49,725)
Reinsurance contract liabilities as at 1 January 2023	6,509	6	-	-	6,515
Net reinsurance contract liabilities/ (assets) as at 1 January 2023	(34,426)	(8,784)	-	-	(43,210)
Changes that relate to current service	671	-	-	9	680
CSM recognised for services received	-	-	-	9	9
Reinsurance premium (and other related cash flows) experience adjustments relating to current service	671	-	-	-	671
Changes that relate to future service- Changes in estimates that adjust the CSM	9	-	-	(9)	-

(Forward)

Reinsurance contracts held	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual Service Margin Total – Reinsurance contracts issued	Total
	RM'000	RM'000	measured under the fair value approach at transition RM'000	RM'000
Changes that relate to past service - changes in the FCF relating to the incurred claims recovery	4,177	4,195	-	8,372
Net expenses from reinsurance contracts held	4,857	4,195	-	9,052
Finance income from reinsurance contracts held	(540)	-	-	(540)
Total amounts recognised in profit or loss	4,317	4,195	-	8,512
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	(7,009)	-	-	(7,009)
Recoveries from reinsurance	19,053	-	-	19,053
Total cash flows	12,044	-	-	12,044
Reinsurance contract assets as at 31 December 2023	(18,412)	(4,592)	-	(23,004)
Reinsurance contract liabilities as at 31 December 2023	347	3	-	350
Net reinsurance contract liabilities/ (assets) as at 31 December 2023	(18,065)	(4,589)	-	(22,654)

(Forward)

2022

Reinsurance contracts held	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contractual Service Margin Contracts measured under the fair value approach at transition RM'000	New contracts and contracts measured under the full retrospective approach at transition RM'000	Total RM'000
Reinsurance contract assets as at 1 January 2022	(82,378)	(17,056)	-	(300)	(99,734)
Reinsurance contract assets as at 1 January 2022	4,925	(17)	-	(18)	4,890
Net reinsurance contract liabilities /(assets) as at 1 January 2022	(77,453)	(17,073)	-	(318)	(94,844)
Changes that relate to current service	(842)	-	-	366	(476)
CSM recognised for services received	-	-	-	366	366
Reinsurance premium (and other related cash flows) experience adjustments relating to current service	(842)	-	-	-	(842)
Changes that relate to future service-					
Changes in estimates that adjust the CSM	33	-	-	(33)	-
Changes that relate to past service - changes in the FCF relating to the incurred claims recovery	20,274	8,289	-	-	28,563
Net expenses from reinsurance contracts held	19,465	8,289	-	333	28,087
Finance (income)/expenses from reinsurance contracts held	251	-	-	(16)	236
Total amounts recognised in profit or loss	19,716	8,289	-	318	28,323

(Forward)

Total – Reinsurance contracts held	Contractual Service Margin				Total
	Present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contracts measured under the fair value approach at transition RM'000	New contracts and contracts measured under the full retrospective approach at transition RM'000	
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	1,394	-	-	-	1,394
Recoveries from reinsurance	21,917	-	-	-	21,917
Total cash flows	23,311	-	-	-	23,311
Reinsurance contract assets as at 31 December 2022	(40,935)	(8,790)	-	-	(49,725)
Reinsurance contract assets as at 31 December 2022	6,509	6	-	-	6,515
Net reinsurance contract liabilities/ (assets) as at 31 December 2022	(34,426)	(8,784)	-	-	(43,210)

(iii) Analysis of finance income and expense

Finance income/(expenses) from reinsurance contracts held	2023 RM'000	2022 RM'000
Interest accreted	296	365
Effect of changes in interest rates and other financial assumptions	178	(173)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates	3	-
Foreign exchange differences	69	(428)
Finance income/(expenses) from reinsurance contracts held	540	(236)

16. **INSURANCE REVENUE AND INSURANCE SERVICE RESULT**

	2023 RM'000	2022 RM'000
Insurance revenue		
Contracts measured under the GMM		
Amounts relating to changes in LRC		
Expected incurred claims and other directly attributed expenses	11	169
Change in the risk adjustment for non-financial risk for the risk expired	(255)	(300)
CSM recognised for the services provided	870	2,674
Experience adjustments - arising from premiums received in the period other than those that relate to future service	(879)	(3,250)
Insurance acquisition cash flow recovery	1,176	970
Total insurance revenue	923	263
Insurance service expenses		
Incurred claims and other directly attributable expenses	439	(215)
Changes that relate to past service – changes in the FCF relating to the LIC	15,456	44,219
Losses on onerous contracts and reversal of those losses	(308)	(1,086)
Insurance acquisition cash flows amortisation	(1,176)	(970)
Total insurance service expenses	14,411	41,948
Insurance service result from insurance contracts issued	15,334	42,211
Net (income)/expenses from reinsurance contracts held		
Amounts relating to the changes in the remaining coverage		
CSM recognised for the services received	(9)	(366)
Experience adjustments – arising from ceded premiums paid in the period other than those that relate to future service	(671)	842
Total (income)/expenses from reinsurance contracts held	(680)	476
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	(8,372)	(28,563)
Total income from reinsurance contracts held	(8,372)	(28,563)
Net expenses from reinsurance contracts held	(9,052)	(28,087)
Total insurance service result	6,282	14,124

17. **NET INVESTMENT INCOME**

	2023	(Restated)
	RM'000	2022
		RM'000
Lease income (Note 6)	1,290	1,089
Direct operating expenses on investment properties (Note 6)	(719)	(473)
Fair value loss on investment properties (Note 6)	(436)	-
Net realised gain/(loss) on investments	23	(1,846)
Fair value changes in investments (Note 8)	374	(1,784)
Investment expenses	(113)	(218)
Debt securities - interest income	2,587	6,391
Cash and cash equivalents – interest income	2,073	540
Others	-	552
	<u>5,079</u>	<u>4,251</u>

18. **OTHER OPERATING INCOME**

	2023	(Restated)
	RM'000	2022
		RM'000
Realised gain on foreign exchange	528	360
Unrealised gain on foreign exchange	10,650	1,097
Bad debts recovered	441	93
	<u>11,619</u>	<u>1,550</u>

19. **MANAGEMENT EXPENSES**

		2023	(Restated)
	Note	RM'000	2022
			RM'000
Staff salaries and related expenses	20(a)	2,530	1,988
Key management personnel remuneration	20(b)		
- Directors' Fees		255	255
- Other remuneration		513	526
Auditors' remuneration		250	250
Depreciation of property and equipment	11	210	223
Depreciation of right-of-use assets		16	22
Net measurement of loss allowance		418	(107)
Management fees to immediate holding company	22	1,789	2,120
Other expenses		380	1,530
		<u>6,361</u>	<u>6,807</u>
Total management expenses		<u>6,361</u>	<u>6,807</u>

20. **EMPLOYEE BENEFITS EXPENSES**

(a) **Staff salaries and related expenses**

	2023	2022
	RM'000	RM'000
Wages and salaries	1,664	299
Staff retention cost	232	1,094
Social security contributions	32	35
Contribution to Employees' Provident Fund	211	186
Other benefits	391	374
	<u>2,530</u>	<u>1,988</u>

(b) **Key management personnel remuneration**

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

	Fees RM'000	← Other emoluments →			Total RM'000
		Salary RM'000	EPF RM'000	Other RM'000	
2023					
Chief Executive Officer					
- Tan Shih Ching	-	447	54	-	501
Directors					
- Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	132	-	-	6	138
- Datuk Mohd Najib Bin Hj. Abdullah	123	-	-	6	129
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	255	447	54	12	768
2022					
Chief Executive Officer					
- Tan Shih Ching	-	459	55	-	514
Directors					
- Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir	132	-	-	6	138
- Datuk Mohd Najib Bin Hj. Abdullah	123	-	-	6	129
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	255	459	55	12	781

21. **TAX EXPENSE**

	2023 RM'000	2022 RM'000
Estimated tax payable:		
- Current year	2,276	2,774
- Underprovision in prior years	1,410	182
	3,686	2,956
Deferred tax (Note 14):		
- Current year	(588)	239
- Underprovision in prior years	922	-
	<u>334</u>	<u>239</u>
	<u>4,020</u>	<u>3,195</u>

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 Company is as follows:

	2023 RM'000	(Restated) 2022 RM'000
Profit before tax	<u>8,491</u>	<u>14,418</u>
Tax at statutory tax rate of 24% (2022: 24%)	2,038	3,460
Tax effects in respect of:		
Non-deductible expenses	545	559
Non-taxable income	(895)	(1,006)
Underprovision of income tax in prior years	1,410	182
Underprovision of deferred tax in prior years	<u>922</u>	<u>-</u>
Tax expense for the year	<u>4,020</u>	<u>3,195</u>

22. **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 company is ACRR Sendirian Berhad which is a company incorporated in Malaysia.

(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 20(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	2023	2022
	RM'000	RM'000
Immediate holding company		
- Gross premium retroceded	(1,105)	(569)
- Commission income	246	242
- Claims recovery	9,888	15,618
- Gross premium accepted	12	19
- Commission expense	-	19
- Claims paid	(8,819)	(4,300)
- Resources sharing expense recovered/(paid)	-	15
- Management fee expense (Note 19)	<u>(1,789)</u>	<u>(2,120)</u>
Transactions for the year ended 31 December	2023	2022
	RM'000	RM'000
Related company		
- Novation of gross outstanding claim	<u>-</u>	<u>(893)</u>

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.

23. **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.

24. **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 inadequate reserves due to unanticipated loss developments.

(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 insurance revenue by lines of business.

Line of business	2023 RM'000	2022 RM'000
Aviation	5	4
Casualty	(99)	(450)
Energy	(10)	(43)
Engineering	1,106	1,305
Marine	32	(29)
Motor	55	(26)
Property	<u>(166)</u>	<u>(498)</u>
	<u>923</u>	<u>263</u>

(iii) **Sensitivity analysis**

The following table shows the impact of the changes in key assumptions on the Company's profit or loss, equity and CSM. This analysis is based on a change in one risk variable with all other variables held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. There were changes made as compared to previous period in the methods and assumptions used in preparing the sensitivity analysis upon the adoption of MFRS 17.

	Change in assumptions	<u>CSM</u>		<u>Profit/(Loss)</u>		<u>Equity</u>	
		Gross impact	Net impact	Gross impact	Net impact	Gross impact	Net impact
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023							
Loss ratio	+10%	-	-	4,660	2,447	4,660	2,447
Risk adjustment	+10%	-	-	856	449	856	449
Discount rate	-1%	-	-	870	564	870	564
2022 (restated)							
Loss ratio	+10%	(10)	(10)	8,792	3,831	8,792	3,831
Risk adjustment	+10%	(2)	(2)	1,403	530	1,403	530
Discount rate	-1%	-	-	2,093	864	2,093	864

(iv) **Claims development**

The following tables shows the estimates of cumulative incurred claims, including both claims notified and liability for incurred claims 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

2023

Gross incurred claims

	<i>Underwriting Years</i>							Total	
	2016 and prior	2017	2018	2019	2020	2021	2022		2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At the end of first year	1,800,597	65,125	58,952	37,501	21	-	-	-	-
1 year later	1,812,798	89,761	132,848	63,202	30	-	-	-	-
2 years later	1,746,146	87,981	147,090	61,117	15	-	-	-	-
3 years later	1,695,315	84,781	157,368	54,660	12	-	-	-	12
4 years later	1,687,861	77,252	151,999	52,030	-	-	-	-	52,030
5 years later	1,639,001	69,313	146,374	-	-	-	-	-	146,374
6 years later	1,626,092	68,882	-	-	-	-	-	-	68,882
7 years later	1,752,293	-	-	-	-	-	-	-	1,752,293
Current Estimates of loss reserves	1,752,293	68,882	146,374	52,030	12	-	-	-	2,019,591
Less: Cumulative payments	(1,729,520)	(65,825)	(139,421)	(43,621)	-	-	-	-	(1,978,387)
Best Estimate of loss reserves	22,773	3,057	6,953	8,409	12	-	-	-	41,204
Claims Handling Expenses	-	-	-	-	-	-	-	-	371
									41,575
Effects of the risk adjustment margin for non financial risk									8,634
Effects of discounting									(3,194)
Investment component									1,000
Total Liability for Incurred Claims (LIC)									48,015

2022 (Restated)
Gross incurred claims

	<i>Underwriting years</i>							Total (RM'000)
	2015 and prior (RM'000)	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	
At the end of first year	1,620,604	75,950	65,125	58,952	37,501	21	-	-
1 year later	1,719,237	109,837	89,761	132,848	63,202	30	-	-
2 years later	1,661,041	92,056	87,981	147,090	61,117	15	15	15
3 years later	1,598,777	93,365	84,781	157,368	54,660			54,660
4 years later	1,604,348	91,189	77,252	151,999				151,999
5 years later	1,557,031	86,563	69,313					69,313
6 years later	1,540,785	86,180						86,180
7 years later	1,668,461							1,668,461
Current Estimates of loss reserves	1,668,461	86,180	69,313	151,999	54,660	15	-	2,030,628
Less: Cumulative payments	(1,637,330)	(82,830)	(61,594)	(129,345)	(36,602)	-	-	(1,947,701)
Best Estimate of loss reserves	31,131	3,350	7,719	22,654	18,058	15	-	82,927
Claims Handling Expenses								590
Effects of the risk adjustment margin for non financial risk								14,296
Effects of discounting								(8,268)
Investment component								1,100
Total Liability for Incurred Claims (LIC)								90,645

(b) Analysis of claims development - net of reinsurance

2023

Net incurred claims

	2016 and prior (RM'000)	<i>Underwriting years</i>							Total (RM'000)
		2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	2023 (RM'000)	
At the end of first year	721,399	19,108	15,315	19,967	149	-	-	-	-
1 year later	725,081	18,143	18,412	27,226	0	-	-	-	-
2 years later	734,655	18,508	21,484	28,112	0	-	-	-	-
3 years later	730,554	18,317	20,604	24,463	12	-	-	-	12
4 years later	734,542	17,511	19,192	23,101	-	-	-	-	23,101
5 years later	730,589	16,776	18,237	-	-	-	-	-	18,237
6 years later	731,362	16,972	-	-	-	-	-	-	16,972
7 years later	838,446	-	-	-	-	-	-	-	838,446
Current Estimates of loss reserves	838,446	16,972	18,237	23,101	12	-	-	-	896,768
Less: Cumulative payments	(827,301)	(15,861)	(14,471)	(17,544)	-	-	-	-	(875,177)
Best Estimate of loss reserves	11,145	1,111	3,766	5,557	12	-	-	-	21,591
Claims Handling Expenses									371
Effects of the risk adjustment margin for non financial risk									21,962
Effects of discounting									4,044
Investment component									(2,063)
Total Liability for Incurred Claims (LIC)									1,000
									24,943

2022 (Restated)
Net incurred claims

	2015 and prior (RM'000)	<i>Underwriting years</i>							Total (RM'000)
		2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)	
At the end of first year	691,228	20,321	19,108	15,315	19,967	149	-	-	-
1 year later	707,542	22,838	18,143	18,412	27,226	-	-	-	-
2 years later	712,189	21,104	18,508	21,484	28,112	-	-	-	-
3 years later	710,141	19,715	18,317	20,604	24,463	-	-	-	24,463
4 years later	711,136	20,001	17,511	19,192	-	-	-	-	19,192
5 years later	709,502	19,473	16,776	-	-	-	-	-	16,776
6 years later	712,455	19,106	-	-	-	-	-	-	19,106
7 years later	827,822	-	-	-	-	-	-	-	827,822
Current Estimates of loss reserves	827,822	19,106	16,776	19,192	24,463	-	-	-	907,359
Less: Cumulative payments	(811,547)	(17,639)	(13,813)	(13,328)	(14,504)	-	-	-	(870,831)
Best Estimate of loss reserves	16,275	1,467	2,963	5,864	9,959	-	-	-	36,528
Claims Handling Expenses	-	-	-	-	-	-	-	-	590
Effects of the risk adjustment margin for non-financial risk	-	-	-	-	-	-	-	-	37,118
Effects of discounting	-	-	-	-	-	-	-	-	5,510
Investment component	-	-	-	-	-	-	-	-	(3,030)
Total Liability for Incurred Claims (LIC)	-	-	-	-	-	-	-	-	1,100
									40,698

25. **FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT**

(a) **Categories of financial instruments**

	31.12.2023	(Restated) 31.12.2022	(Restated) 1.1.2022
	RM'000	RM'000	RM'000
Financial assets			
At FVTPL:			
Investments	44,972	67,828	169,373
At amortised cost:			
Other receivables (excluding prepayments)	521	800	1,803
Cash and cash equivalents	<u>76,673</u>	<u>67,852</u>	<u>40,176</u>
	<u>122,166</u>	<u>136,480</u>	<u>211,352</u>
Financial liabilities			
At amortised cost:			
Lease liabilities	13	14	36
Other payables and accruals	<u>11,642</u>	<u>7,484</u>	<u>5,629</u>
	<u>11,655</u>	<u>7,498</u>	<u>5,665</u>

(b) **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. 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 reinsurance contract issued and reinsurance contracts held in the statement of financial position.

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 statement of financial position.

	2023	(Restated)	(Restated)
	RM'000	2022	2021
		RM'000	RM'000
Investments	44,972	67,828	169,373
Other receivables (excluding prepayments)	521	800	1,803
Cash and cash equivalents	<u>76,673</u>	<u>67,852</u>	<u>40,176</u>
	<u>122,166</u>	<u>136,480</u>	<u>211,352</u>

Credit exposure by credit quality

Investments, other receivables (excluding prepayments), cash and cash equivalents are neither past due nor impaired.

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	Non- rated RM'000	Total RM'000
2023					
Investments - Corporate debt securities	4,452	33,348	7,172	-	44,972
Other receivables					
(excluding prepayments)	-	-	-	521	521
Cash and cash equivalents	76,673	-	-	-	76,673
	<u>81,125</u>	<u>33,348</u>	<u>7,172</u>	<u>521</u>	<u>122,166</u>
2022					
Investments - Corporate debt securities	4,326	57,852	5,650	-	67,828
Other receivables					
(excluding prepayments)	-	-	-	800	800
Cash and cash equivalents	67,852	-	-	-	67,852
	<u>72,178</u>	<u>57,852</u>	<u>5,650</u>	<u>800</u>	<u>136,480</u>

(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 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

All financial liabilities as at end of reporting period has a maturity of 1 year or less.

(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.

	2023	2022
	RM'000	RM'000
Assets		
Reinsurance contract assets	27,915	6,345
Insurance contract assets	15,186	39,285
Cash and cash equivalents	<u>43,617</u>	<u>22,260</u>
	<u>86,718</u>	<u>67,890</u>
Liabilities		
Insurance contract liabilities	<u>(9,796)</u>	<u>(23,568)</u>
Net exposure	<u>76,922</u>	<u>44,322</u>

Currency risk sensitivity analysis

A 10% (2022: 10%) weakening 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	
	2023	2022
	RM'000	RM'000
United States Dollar	<u>7,692</u>	<u>4,432</u>

A 10% (2022: 10%) strengthening 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
2023				
Fixed rate instruments				
Corporate debt securities	14,310	16,179	14,483	44,972
Cash and cash equivalents	<u>76,673</u>	<u>-</u>	<u>-</u>	<u>76,673</u>
	<u>90,983</u>	<u>16,179</u>	<u>14,483</u>	<u>121,645</u>
2022				
Fixed rate instruments				
Corporate debt securities	22,583	31,240	14,005	67,828
Cash and cash equivalents	<u>67,852</u>	<u>-</u>	<u>-</u>	<u>67,852</u>
	<u>90,435</u>	<u>31,240</u>	<u>14,005</u>	<u>135,680</u>

(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				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2023						
Financial assets						
Corporate debt securities	-	44,972	-	44,972	44,972	44,972
2022						
Financial assets						
Corporate debt securities	-	67,828	-	67,828	67,828	67,828

Valuation techniques and inputs

The valuation techniques and inputs used in determining the fair value of the financial assets above is disclosed in Note 7(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 (2022: no transfer in either directions).

26. **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:

	2023 RM’000	2022 RM’000
Eligible Tier 1 Capital		
Share capital (paid-up)	125,000	125,000
Retained earnings	5,470	24,572
	<hr/>	<hr/>
	130,470	149,572
Tier 2 Capital		
Eligible reserves	2,552	2,044
	<hr/>	<hr/>
Total capital available	<hr/> 133,022 <hr/>	<hr/> 151,616 <hr/>

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

27. **IMPACT ON ADOPTION OF MFRS 17 AND MFRS 9**

Adoption of 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.

Changes in accounting policies resulting from the adoption of MFRS 17 was applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, on 1 January 2022, the Company will:

- identify, recognise and measure each of the Company's reinsurance contracts issued and reinsurance contracts held as if MFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if MFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2023;

- derecognise previously reported balances that would not have existed if MFRS 17 had always been applied (including some deferred acquisition costs); and
- recognise any resulting net difference in equity.

In applying the fair value approach at the transition date, the CSM or loss component of the LRC was estimated as the difference between the fair value and the fulfilment cash flows of the Group of contracts as of that date. In determining fair value, the Company used unearned premiums reserve as at the transition date as a proxy.

The Company did not disclose the quantitative impact on transition as allowed by the exemption relief in MFRS 17 C3(a).

Adoption of MFRS 9 Financial Instruments

MFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. MFRS 9 eliminates the previous MFRS 139 categories of held-to-maturity investments (“HTM”), loans and receivables, and available-for-sale financial assets (“AFS”).

MFRS 9 also introduces an impairment model for financial assets not measured at FVTPL. The model requires the recognition of an allowance for 12-month expected losses at the initial recognition of a financial assets, and the recognition of an allowance for lifetime expected losses if certain criteria are met. In addition, MFRS 9 introduces a new model for hedge accounting to better align with risk management activities. MFRS 9 has no significant effect on the Company’s financial liabilities.

Changes in accounting policies resulting from the initial adoption of MFRS 9 have been applied retrospectively, and the comparative period has been restated. MFRS 17 allows for a transition option that permits insurers to present comparative information on financial assets as if MFRS 9 were applicable during the comparative period. The Company have elected to apply the classification overlay transition option to the financial assets and their comparative period results as if MFRS 9 had been effective since 1 January 2022.

An insurer may apply the temporary exemption from MFRS 9 if, and only if it has not previously applied any version of MFRS 9; and its activities are predominantly connected within the scope of MFRS 4 Insurance Contracts.

The Company applied for temporary exemption from MFRS 9 before 1 January 2023, as it has not previously applied any version of MFRS 9 and its activities are predominantly connected with MFRS 4. Consequently, the Company adopted MFRS 9 issued in July 2014 with a date of initial application on 1 January 2023.

Impairment of financial assets

MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward-looking “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost. Under MFRS 9, credit losses are recognised earlier than under MFRS 139.

Transition upon the adoption of MFRS 9

The Company had decided to adopt the treatment of financial assets as FVTPL and applied the change retrospectively. The fair value reserve of RM659,000 has been reclassified to retained earnings as of 1 January 2022.

The following shows the details of the changes and implications resulting from the adoption of MFRS 9 on the Company’s financial assets and financial liabilities as at 1 January 2022 and 31 December 2022.

	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM’000	New carrying amount under MFRS 9 RM’000
1 January 2022				
Financial assets				
Investments	AFS	FVTPL	169,373	169,373
Cash and cash equivalents	Loans and receivables	Amortised cost	40,176	40,176
Other receivables (excluding prepayments)	Loans and receivables	Amortised cost	<u>1,803</u>	<u>1,803</u>
			<u>211,352</u>	<u>211,352</u>
Financial liabilities				
Lease liabilities	Amortised cost	Amortised cost	36	36
Other payables and accruals	Amortised cost	Amortised cost	<u>5,629</u>	<u>5,629</u>
			<u>5,665</u>	<u>5,665</u>

31 December 2022	Original classification under MFRS 139	New classification under MFRS 9	Original carrying amount under MFRS 139 RM'000	New carrying amount under MFRS 9 RM'000
Financial assets				
Investments	AFS	FVTPL	67,828	67,828
Cash and cash equivalents	Loans and receivables	Amortised cost	67,852	67,852
Other receivables (excluding prepayments)	Loans and receivables	Amortised cost	800	800
			136,480	136,480
Financial liabilities				
Lease liabilities	Amortised cost	Amortised cost	14	14
Other payables and accruals	Amortised cost	Amortised cost	7,484	7,484
			7,498	7,498

28. SUBSEQUENT EVENT

On 20 June 2024, the Company and its immediate holding company signed a Quota Share Agreement (“QSRA”) with Swiss Re Asia Pte Ltd Malaysia Branch (“SR Malaysia”) whereby SR Malaysia will reinsure 100% of the Company’s existing in-force policies. The effective date of the QSRA is 1 July 2024. The QSRA is part of a wider transaction whereby SR Malaysia proposes to eventually acquire all of the in-force reinsurance business of the Company by way of a portfolio transfer pursuant to Section 100(1) of the Financial Services Act 2013 and/or Section 112(1) of the Islamic Financial Services Act 2013. The portfolio transfer is subject to the approval of Bank Negara Malaysia which is required before the parties can enter into an agreement or arrangement for the transfer of such reinsurance business.

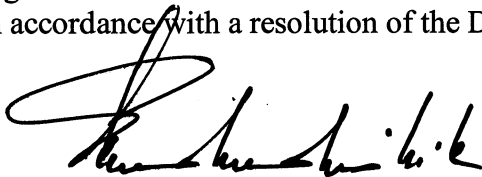
Company No. 200701004295 (762294 - T)

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 2023 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**

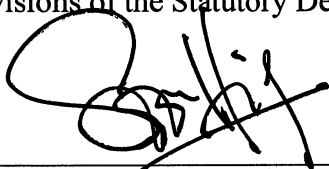


**DATUK MOHD NAJIB BIN
HJ. ABDULLAH**

Kuala Lumpur,
28 June 2024

**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
PETALING JAYA this 28th day of June,
2024

Before me



COMMISSIONER FOR OATHS