

Malaysian Life Reinsurance Group Berhad

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

**Financial statements for the year
ended 31 December 2023**

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2023

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 life and health reinsurance business. During the financial year, the Company has commenced its family retakaful business. There were no other changes to the principal activities during the financial year.

Results

	RM'000
Profit for the year	<u>53,417</u>

Reserves and provisions

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

Dividend

Since the end of the previous financial year, the Company has paid a final ordinary dividend of approximately 43.00 sen per ordinary share which is 50% of net profit after tax totalling RM21,932,727 in respect of the year ended 31 December 2022 on 2 June 2023.

The final dividend for the financial year ended 31 December 2023 shall be recommended at a later date.

Directors of the Company

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

Y. Bhg. Datuk Kamaruddin Taib (Appointed on 20 February 2023)

Mr. Toi See Jong

Y. Bhg. Dato' Sri Muthanna Abdullah

En. Ahmad Subri bin Abdullah

Y. Bhg. Dato Koh Yaw Hui

Ms. Tan Lye Sim

Mr. Tan Kay How (Appointed on 24 August 2023)

Mr. Lau Yew Kong (Resigned on 11 February 2023)

Mr. Low Shih Nin (Resigned on 24 August 2023)

None of the Directors holding office at 31 December 2023 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

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Directors' benefits

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

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2023 are as follows:

	RM'000
Directors of the Company:	
Fees	954
Others	210
	1,164
	1,164

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

	Premium Paid RM'000	Sum Insured RM'000
Directors and Officers Liability Insurance	24	5,000

Corporate governance

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

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

i. Membership and meetings of the Board Committees

Director	Board	Audit	Risk Management	Nomination & Remuneration	Investment
	<----- (Attendance / Number of Meetings) ----->				
Y. Bhg. Datuk Kamaruddin Taib (Independent Non- Executive Director) (Appointed on 20 February 2023)	Chairman 4/5	-	-	Member 4/6	-

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Corporate governance (continued)

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

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

Director	Board	Audit	Risk Management	Nomination & Remuneration	Investment
	<----- (Attendance / Number of Meetings) ----->				
Mr. Lau Yew Kong (Independent Non-Executive Director) (Resigned on 11 February 2023)	Chairman 1/1	Member -	Member -	Member 1/1	Member -
Mr. Toi See Jong (Non-Independent Non-Executive Director)	Member 6/6	Member 4/4	Member 4/4	-	Chairman 2/2
Y. Bhg. Dato Koh Yaw Hui (Non-Independent Non-Executive Director)	Member 6/6	-	-	Member 8/8	-
Mr. Low Shih Nin (Non-Independent Non-Executive Director) (Resigned on 24 August 2023)	Member 4/4	Member 2/2	Member 2/2	Member 6/6	Member 1/1
Mr. Tan Kay How (Non-Independent Non-Executive Director) (Appointed on 24 August 2023)	Member 2/2	Member 2/2	Member 2/2	Member 2/2	Member 1/1
Y. Bhg. Dato' Sri Muthanna Abdullah (Independent Non-Executive Director)	Member 6/6	Member 3/4	Member 3/4	Chairman 8/8	-
En. Ahmad Subri bin Abdullah (Independent Non-Executive Director)	Member 6/6	Chairman 4/4	Member 3/3	-	Member 2/2
Ms. Tan Lye Sim (Independent Non-Executive Director)	Member 6/6	Member 4/4	Chairman 4/4	Member 8/8	-

Corporate governance (continued)

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

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

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

ii. Profile of Directors

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

Y. BHG. DATUK KAMARUDDIN TAIB INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

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

Corporate governance (continued)

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

ii. Profile of Directors (continued)

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

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

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

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

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

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

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

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

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

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

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

Corporate governance (continued)

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

ii. Profile of Directors (continued)

MR TAN KAY HOW NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Tan Kay How was appointed as Non-Independent Non-Executive Director of the Company on 24 August 2023.

Mr Tan received his bachelor's degree in actuarial science from the National University of Malaysia. He is a Fellow of the Society of Actuaries (FSA) and a CFA Charterholder.

Mr Tan is currently the Head of Malaysia and Chief Operating Officer – Southeast Asia Markets of Reinsurance Group of America (RGA). He is responsible for providing shared services support and driving operational efficiency and effectiveness initiatives. He is the Principal Officer for the Labuan Branch and acts as the RGA management representative to the Shariah Advisory Council. Mr Tan joined RGA in January 2016, and is based in the Labuan Branch's Kuala Lumpur co-located office.

With a career in prominent multinationals spanning more than 20 years, Mr Tan has extensive local and regional leadership experience in various capacities. He has worked in life, health, group, general, and takaful business lines throughout the Southeast Asia region, including Malaysia, Singapore, Indonesia, Vietnam, China, and Thailand.

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

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

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

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

Dato' Sri Muthanna is the Honorary Consul at Kuala Lumpur of the Republic of San Marino. Dato' Sri Muthanna sits on the Board of Directors of MSIG Insurance (Malaysia) Berhad, MSM Malaysia Holdings Berhad, IHH Healthcare Berhad, and several private companies.

Corporate governance (continued)

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

ii. Profile of Directors (continued)

EN. AHMAD SUBRI BIN ABDULLAH INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

En. Subri qualified as a Fellow of the Chartered Insurance Institute, United Kingdom and is a Fellow of the Malaysian Insurance Institute. Prior to his return to Malaysia in 1980, he was trained and worked in London for more than 7 years.

Currently, En. Subri serves as Director and Advisor to several private and public companies in Malaysia and Singapore including Berjaya Sompo Insurance Berhad and Betamek Berhad.

MS. TAN LYE SIM INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

Ms. Tan is currently a Director of GHL Systems Berhad. She was on the Board of Bank Pembangunan Malaysia Berhad from September 2018 to September 2020 and was the Chairman of Group Risk Management Committee.

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

Corporate governance (continued)

iii. Responsibilities of the Board

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

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

Corporate governance (continued)

iv. Responsibilities of the Board Committees

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

Audit Committee

- (i) To review and report on the adequacy of the scope, functions and resources of the internal audit function and whether it has the necessary authority to carry out its work.
- (ii) To review the results of the internal and external audits conducted and the adequacy of actions taken by management on the recommendations of these audit reports.
- (iii) To review with the external auditors the audit plan, scope of the audit and the audit findings of the Company.
- (iv) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval.
- (v) To review the adequacy and effectiveness of internal control systems instituted within the Company.
- (vi) To review any related party transactions that may arise within the Company.
- (vii) To oversee the overall implementation of the Company's approved policies and procedures and review management's periodic review of them for continued effectiveness.
- (viii) To perform any other functions as may be agreed by the Audit Committee and the Board of Directors.

Corporate governance (continued)

iv. Responsibilities of the Board Committees (continued)

Risk Management Committee

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

Nomination and Remuneration Committee

- (i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.
- (ii) To recommend and assess the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment before an application for approval is submitted to Bank Negara Malaysia.
- (iii) To establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.
- (iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant, or negligent in discharging his responsibilities.

Corporate governance (continued)

iv. Responsibilities of the Board Committees (continued)

Nomination and Remuneration Committee (continued)

- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.
- (vi) To oversee appointment, management succession planning and performance evaluation of key Senior Officers and recommend to the Board on the removal of key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities.
- (vii) To recommend a framework of remuneration for Directors, Chief Executive Officer and key Senior Officers.
- (viii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key Senior Officers.

Investment Committee

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

v. Responsibilities of the Shariah Advisory Board

- (i) To provide a decision or advice to the Retakaful Window of the Company ("the Window") on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Window;
- (ii) To provide a decision or advice on matters which require a reference to be made to the SAC;
- (iii) To provide a decision or advice on the operations, business, affairs and activities of the Window which may trigger a Shariah non-compliance event;
- (iv) To deliberate and affirm a Shariah non-compliance finding by any relevant functions; and
- (v) To endorse a rectification measure to address a Shariah non-compliance event.

Corporate governance (continued)

vi. Remuneration framework

Remuneration policy

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

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

Business oriented

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

Prudent

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

Adequate information

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

Fair

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

Transparent

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

Corporate governance (continued)

vi. Remuneration framework (continued)

Remuneration structure

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

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

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

Salary

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

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

Acting Allowance

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

Special Allowance

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

Benefits

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

Corporate governance (continued)

vi. Remuneration framework (continued)

Performance Bonus

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

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

Incentives

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

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

Buyout

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

Senior management and other material risk takers

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

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

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

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

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Corporate governance (continued)

vi. Remuneration framework (continued)

Senior management and other material risk takers (continued)

There were 5 other material risk takers in the Company as at the date of this report.

Total Value of Remuneration Awards for the financial year	Unrestricted	Deferred		No. of Staff
		Total*	Outstanding**	
Fixed Remuneration				
- Cash-based	5,209,518	Nil	Nil	17
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	Nil
Variable Remuneration				
- Cash-based	796,676	2,147,916	1,135,596	17
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	Nil

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

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

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

Malus / Clawback

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

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

Corporate governance (continued)

vii. Internal Control Framework

The Compliance and Risk ("CR") Department is established with the responsibility to manage the Company's Risk and Compliance functions.

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

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

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

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

Other key elements of the internal control framework

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

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

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

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

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

Corporate governance (continued)

vii. Internal Control Framework (continued)

Other key elements of the internal control framework (continued)

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

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

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

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

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

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

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

Issue of shares and debentures

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

There was no debenture issued during the financial year.

Options granted over unissued shares

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

Other statutory information

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

- i) there was adequate provision for its insurance liabilities in accordance with the requirements of MFRS 17, *Insurance Contracts* issued by the Malaysian Accounting Standards Board ("MASB"),
- ii) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- iii) any current assets which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company have been written down to an amount which they might be expected so to realise.

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2023 has not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 199701002371 (417867-K)

Holding company

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

Significant event during the year

The Company has commenced its family retakaful business during the financial year, however the family retakaful business has yet to generate any contributions during the year.

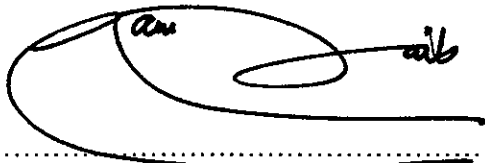
Auditors

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

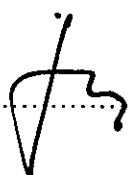
The auditors' remuneration of the Company during the year is RM580,000.00.

There were no indemnity given to, or insurance effected for auditors of the Company during the financial year.

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



.....
Datuk Kamaruddin Taib
Director



.....
Toi See Jong
Director

Kuala Lumpur,

Date: 19 April 2024

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of the Shariah Advisory Board

In the name of Allah, the Most Beneficent, the Most Merciful

We, members of the Shariah Advisory Board of Malaysian Life Reinsurance Group Berhad, which provides the oversight over the management of Shariah matters of the Retakaful Window of Malaysian Life Reinsurance Group Berhad ("Retakaful Window"), do hereby submit the following report:

Pursuant to our letter of appointment and terms of reference, we have reviewed the principles of the Retakaful Treaty Template relating to the retakaful arrangements introduced by the Retakaful Window during the financial year ended 31 December 2023.

We have also conducted our review to form an opinion pursuant to Section 30(1) of the Islamic Financial Services Act 2013 ("IFSA 2013"), as to whether the Retakaful Window has complied with the principles of Shariah, Shariah rulings issued by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM"), Shariah guidelines issued by BNM pursuant to Section 29 of the IFSA 2013, as well as Shariah decisions resolved by us.

The management of the Company is responsible for ensuring that the Retakaful Window conducts its business in accordance with the principles of Shariah. It is our responsibility to form an independent opinion, based on our review of the operations of the Retakaful Window.

We have assessed the work carried out by the whole management which included examining the relevant documentations and procedures adopted by the Retakaful Window.

We have planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Retakaful Window has not violated any principles of Shariah.

In our opinion:

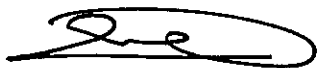
- nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of the Retakaful Window involve any material Shariah non-compliances;
- there were no earnings that have been realised/unrealised from sources or by means prohibited by the principles of Shariah which would need to be considered for disposal to charitable causes.

Company No. 199701002371 (417867-K)

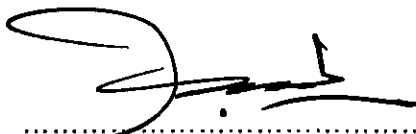
Statement of the Shariah Advisory Board (continued)

This opinion is rendered based on what had been presented to us by the management of the Retakaful Window. We, the members of the Shariah Advisory Board, do hereby confirm, to our level best that the operations of the Retakaful Window for the year ended 31 December 2023 have been conducted in conformity with the principles of Shariah.

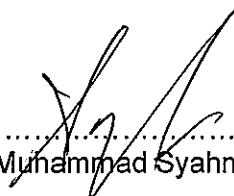
Signed by the Shariah Advisory Board



.....
Prof. Dr. Said Bouheraoua



.....
Assoc. Prof. Dr. Mushaddad Hasbullah



.....
Dr. Muhammad Syahmi Mohd Karim

Kuala Lumpur,

Date: 19 April 2024

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2023

	Note	31.12.2023 RM'000	Restated 31.12.2022 RM'000	Restated 1.1.2022 RM'000
Assets				
Plant and equipment	4	525	730	1,002
Intangible assets	5	3,249	3,575	3,846
Right-of-use assets	6	906	885	190
Investments	7	799,306	722,924	636,306
- Fair value through profit or loss		778,308	-	-
- Amortised cost		20,998	-	-
- Available-for-sale investments		-	701,426	614,304
- Held-to-maturity investments		-	21,498	22,002
Insurance contract assets	12	20,120	87,314	152,909
Reinsurance contract assets	12	29,599	11,749	8,010
Receivables	9	1,813	1,644	45,928
Current tax assets		8,704	6,165	5,374
Cash and cash equivalents	10	29,498	35,359	192
Total assets		893,720	870,345	853,757
Equity and liabilities				
Share capital	11	51,000	51,000	51,000
Reserves		736,634	705,150	678,299
Total equity		787,634	756,150	729,299
Insurance contract liabilities	12	59,414	54,461	31,123
Reinsurance contract liabilities	12	9,980	15,251	51,342
Deferred tax liabilities	8	25,453	24,010	23,227
Lease liabilities	13	911	939	205
Other payables	14	10,328	19,534	18,561
Total liabilities		106,086	114,195	124,458
Total equity and liabilities		893,720	870,345	853,757

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

Malaysian Life Reinsurance Group Berhad

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

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	2023 RM'000	Restated 2022 RM'000
Operating revenue	15	<u>598,247</u>	<u>516,784</u>
Insurance revenue	16	570,071	516,434
Insurance service expenses	19	(561,620)	(487,835)
Net (expenses)/income from reinsurance contracts held	12(b)	<u>(8,858)</u>	<u>3,591</u>
Insurance service result		<u>(407)</u>	<u>32,190</u>
Investment income	17(b)	28,176	350
Net fair value gains	17(c)	<u>8,344</u>	<u>-</u>
Investment return		<u>36,520</u>	<u>350</u>
Net finance income from insurance contracts	17(a)	29,102	9,380
Net finance expenses from reinsurance contracts held	17(a)	<u>(10,007)</u>	<u>(4,306)</u>
Net financial result		<u>55,615</u>	<u>5,424</u>
Other operating income	18	2,193	1,958
Other operating expenses	19	<u>(1,157)</u>	<u>(8)</u>
Profit before tax		<u>56,244</u>	<u>39,564</u>
Tax expense	21	<u>(2,827)</u>	<u>(3,452)</u>
Profit for the year		<u>53,417</u>	<u>36,112</u>
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale investments	22	<u>-</u>	<u>11,657</u>
Total other comprehensive income for the year, net of tax		<u>-</u>	<u>11,657</u>
Total comprehensive income for the year		<u>53,417</u>	<u>47,769</u>

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2023

	<i><--- Non - Distributable ---></i>		<i>Distributable</i>	
	Share capital RM'000	Fair value reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2022, as previously stated	51,000	(11,432)	403,991	443,559
Changes on initial application of MFRS 17, net of tax	-	-	285,740	285,740
Restated balance at 1 January 2022	<u>51,000</u>	<u>(11,432)</u>	<u>689,731</u>	<u>729,299</u>
Fair value of available-for-sale investments	-	11,657	-	11,657
Profit for the year	-	-	36,112	36,112
Total comprehensive income for the year	<u>-</u>	<u>11,657</u>	<u>36,112</u>	<u>47,769</u>
Dividends paid during the year (Note 23)	-	-	(20,918)	(20,918)
Restated balance at 31 December 2022	<u>51,000</u>	<u>225</u>	<u>704,925</u>	<u>756,150</u>
Changes on initial application of MFRS 9	-	(225)	225	-
Restated balance 1 January 2023	<u>51,000</u>	<u>-</u>	<u>705,150</u>	<u>756,150</u>
Profit for the year	-	-	53,417	53,417
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>53,417</u>	<u>53,417</u>
Dividends paid during the year (Note 23)	-	-	(21,933)	(21,933)
At 31 December 2023	<u>51,000</u>	<u>-</u>	<u>736,634</u>	<u>787,634</u>
	Note 11			

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2023

	2023 RM'000	Restated 2022 RM'000
Cash flow from operating activities		
Profit before tax	56,244	39,564
Investment income	(28,176)	(350)
Net fair value gains	(8,344)	-
Purchase of available-for-sale investments	-	(303,403)
Purchase of fair value through profit or loss investments	(74,791)	-
Gain from modification of lease liabilities	-	(12)
Proceeds from maturity and buy-back of held-to-maturity investments	-	500
Proceeds from maturity and buy-back of amortised cost investments	500	-
Proceeds from maturity and disposal of available-for-sale investments	-	228,271
Proceeds from maturity and disposal of fair value through profit or loss	32,480	-
Interest on lease liabilities	47	81
Unrealised (gain)/loss in foreign exchange	(11)	19
Adjustments for:		
Depreciation of plant and equipment	321	368
Amortisation of intangible assets	244	170
Depreciation of right-of-use assets	772	772
Intangible assets written off	267	-
Operating loss before changes in working capital	(20,447)	(34,020)
Increase in reinsurance contract assets and liabilities	(23,121)	(39,830)
(Increase)/Decrease in loans and other receivables	(188)	44,291
Decrease in insurance contract assets and liabilities	72,147	88,933
(Decrease)/increase in other payables	(9,188)	1,130
Cash generated from operations	19,203	60,504
Net investment income received	1,979	1,009
Interest on lease liabilities	(47)	(81)
Tax paid	(3,923)	(4,474)
Net cash generated from operating activities	17,212	56,958

Statement of cash flows for the year ended 31 December 2023 (continued)

	2023 RM'000	Restated 2022 RM'000
Cash flows from investing activities		
Purchase of plant and equipment	(134)	(152)
Purchase of intangible assets	(185)	-
Net cash used in investing activities	<u>(319)</u>	<u>(152)</u>
Cash flows from financing activities		
Dividends paid to shareholders	(21,933)	(20,918)
Payment of lease liabilities	(821)	(721)
Net cash used in financing activities	<u>(22,754)</u>	<u>(21,639)</u>
Net (decrease)/increase in cash and cash equivalents	(5,861)	35,167
Cash and cash equivalents at 1 January	<u>35,359</u>	<u>192</u>
Cash and cash equivalents at 31 December (Note 10)	<u><u>29,498</u></u>	<u><u>35,359</u></u>

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

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information and principal activities

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

The number of employees of the Company as at the end of the financial year was 95 (2022: 86).

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

Registered office and principal place of business

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

The Company is principally engaged in the underwriting of life and health reinsurance business. During the financial year, the Company has commenced its underwriting of family retakaful business.

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

These financial statements were authorised for issue by the Board of Directors on 19 April 2024.

2. Basis of preparation

(a) Statement of compliance

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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

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

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

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 January 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned amendments is not expected to have any material impact to the financial statements of the Company.

2. Basis of preparation (continued)

(b) Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except as disclosed in the financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

Note 26 – Measurement of insurance contracts and reinsurance contracts held

3. Changes in material accounting policies

The Company has initially applied MFRS 17 and MFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards 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 and presented a third statement of financial position as at 1 January 2022.

(a) MFRS 17, *Insurance Contracts*

The Company applied MFRS 17 for the first time from 1 January 2023, replacing MFRS 4. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. This standard brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of MFRS 17 are summarised below.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

i. Level of Aggregation

Under MFRS 17, insurance contracts are aggregated into groups for measurement purpose. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Each portfolio is divided into annual cohorts (i.e. by year of issue) and each annual cohort into two groups:

- any contracts that are onerous on initial recognition; and,
- any contracts that, on initial recognition, have possibility of becoming onerous subsequently.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for including in an existing group, it forms a new group to which future contracts may be added. Reinsurance contracts are grouped on a similar basis of the underlying insurance contracts.

The level of aggregation requirements of MFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as Contractual Service Margin ("CSM"), against losses on group of onerous contracts, which are recognised immediately.

ii. Measurement Model

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

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

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

ii. Measurement Model (continued)

Insurance contracts

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

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

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

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

ii. Measurement Model (continued)

Insurance contracts (continued)

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

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

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

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

Reinsurance contracts

The Company applies the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

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

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

ii. Measurement Model (continued)

Reinsurance contracts (continued)

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

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

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

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

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

Insurance acquisition cash flows

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

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

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

iii. Presentation and Disclosure

Under MFRS 17, portfolio of reinsurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts are presented on a net basis; therefore, balances such as insurance receivables and payables are no longer be presented separately. Any assets or liabilities for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are also be presented in the same line item as the related portfolios of contracts.

Under MFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

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

Amounts from reinsurance contracts are presented separately.

Insurance service result

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

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

Investment components will not be included in insurance revenue and insurance service expenses under MFRS 17. The Company has identified the investment component of a contract by determining the amount that it would be required to repay to the cedants in all scenarios with commercial substance. The Company has identified profit commissions, surrender values and maturity values arising from insurance contracts contain investment components.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

iii. Presentation and Disclosure (continued)

Insurance service result (continued)

Amounts recovered from retrocessionaires and reinsurance expenses are presented on a net basis as 'net expenses from reinsurance contracts held' in the insurance service results.

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

Insurance finance income and expenses

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

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

Disclosure

MFRS 17 requires extensive disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgments made when applying MFRS 17. There are also expanded disclosures about the nature and extent of risk from reinsurance and retrocession contracts.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

iv. Transition

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

Insurance and reinsurance contracts

The Company has applied the fair value approach under MFRS 17 to identify, recognise and measure groups of contracts at 1 January 2022, as it was impracticable to apply the full retrospective approach.

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

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

Under the fair value approach, the Company has determined the CSM or loss component of the liability for remaining coverage at 1 January 2022 as the difference between the fair value of a group of insurance contracts, measured in accordance with MFRS 13, *Fair Value Measurement*, and its fulfilment cash flows ("FCF") at that date.

The Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition.

The discount rates on initial recognition were determined at 1 January 2022 instead of at the date of inception. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

v. Significant judgement and estimates

Risk adjustments

Risk adjustments for non-financial risk are determined to reflect the compensation that the Company would require for bearing non-financial risk and its degree of risk aversion. The Company applies a confidence level technique to determine the risk adjustments for non-financial risk of both its insurance contracts and reinsurance contracts held. Under a confidence level technique, the estimates the probability distribution of the expected value of the future cash flows at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The target confidence level is the 75th percentile, in line with the regulatory requirements of Bank Negara Malaysia under the Risk-Based Capital Framework for Insurers.

The Company disaggregates the change in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expense.

Contractual service margin

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date. The Company uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits with respect to insurance coverage, such as the in-force sum at risk of non-accelerating benefits or the amount of benefit payable.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

v. Significant judgement and estimates (continued)

Estimates of future cash flows

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The estimates reflect conditions existing at the measurement date, including assumptions at that date about the future.

The estimates of future cash flows will reflect the Company's view of current conditions at the reporting date and current expectations of future events that might affect those cash flows.

Cash flows are within the contract boundaries so long as the re/insurer either can compel the policyholder to pay premiums or has a substantive obligation to provide services at the ending contract boundary. The substantive obligation ends when the practical ability to reassess the risks of the particular policyholder, and can set a price or level of benefits that fully reflects those risks. Risks attaching contracts are those where the reinsurance treaty covers underlying policies that incept within the coverage period of the reinsurance treaty.

Assumptions

Mortality and morbidity assumptions by benefit types have been developed based on recent historical experience and expressed as a percentage of the industry mortality table or as a percentage of earned premium.

Lapse assumptions have been derived based on recent historical experience by sum at risk pattern, i.e., level sum at risk business and reducing sum at risk business.

Expenses assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, expressed as a percentage of premiums.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

v. Significant judgement and estimates (continued)

Assumptions (continued)

Discount rates

A bottom-up approach has been used under which discount rates are determined by adjusting the MGS yield curve to reflect the liquidity characteristics of the insurance contracts. Two sets of forward yield curves are derived to measure the carrying amount of insurance and reinsurance contract liabilities, where current discount rates, determined based on the forward yield curves as of reporting date, are applied to estimate the present value of the future cash flows, while the locked-in rates are applied to estimate the contractual service margin. The Company has adopted the time-weighted average approach to determine the locked-in rates for a particular cohort.

Duration	Current Rates – 31 December 2023 (%)	2023 Cohort Locked-in Rate* (%)
1	3.31	3.20
2	3.57	3.40
3	3.74	3.65
4	3.78	3.81
5	3.90	3.94
6	4.20	4.14
7	3.82	4.36
8	3.68	4.04
9	3.75	4.08
10	3.75	4.17
11	4.41	4.26
12	4.53	4.46
13	4.65	4.61
14	5.20	4.76
15	4.62	5.09
16-100	4.62	5.02

*The interest rate presented as weighted average.

3. Changes in material accounting policies (continued)

(a) MFRS 17, *Insurance Contracts* (continued)

v. Significant judgement and estimates (continued)

Investment components

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses. The Company has identified the following as investment component:

Contracts with surrender/maturity value

Investment component is computed as the surrender/maturity value by assuming these policies are instead surrendered at the next policy anniversary after the claims incurred.

Contracts with profit commission feature

Investment component is computed as the profit commission by assuming no claims are reported.

Loss component

The Company establishes a loss component of the liabilities for remaining coverage for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the liabilities for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

3. Changes in material accounting policies (continued)

(b) MFRS 9, *Financial Instruments*

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

i. Classification of financial assets

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

MFRS 9 contains three principal classification categories for financial assets:

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

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

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

3. Changes in material accounting policies (continued)

(b) MFRS 9, *Financial Instruments* (continued)

ii. Impairment of financial assets

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

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

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

- (i) **Stage 1: 12-month ECL**
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months is recognised.
- (ii) **Stage 2: Lifetime ECL – Non-credit impaired**
For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL is recognised.
- (iii) **Stage 3: Lifetime ECL – Credit impaired**
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL is recognised.

3. Changes in material accounting policies (continued)

(b) MFRS 9, *Financial Instruments* (continued)

ii. Impairment of financial assets (continued)

Credit impaired financial assets

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

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

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

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

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

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

3. Changes in material accounting policies (continued)

(b) MFRS 9, *Financial Instruments* (continued)

iii. Classification of financial liabilities

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

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

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

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

iv. Disclosures

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

v. Transition

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

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

3. Changes in material accounting policies (continued)

(b) MFRS 9, *Financial Instruments* (continued)

vi. Effect of initial application

The following table and the accompanying notes show the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 of the Company's financial assets:

Financial assets	Original and new carrying amount 31.12.2022 RM'000	Original classification under MFRS 139	New classification under MFRS 9
Malaysian Government Guaranteed Securities	21,498	HTM	AC
Fixed Income CIS*	604,099	AFS	FVTPL
Short Term Fixed Income CIS*	97,327	AFS	FVTPL
Receivables, excluding insurance receivables and prepayment	724	L&R	AC
Cash and cash equivalents	35,359	L&R	AC

* CIS is abbreviation for Collective Investment Schemes

The application of these policies resulted in the reclassifications set out in the table above and are explained below:

- Debt securities with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity were classified as HTM before the adoption of MFRS 9. The Company considers that under MFRS 9 these securities are held within a business model whose objective is achieved by collecting contractual cash flows. The contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at amortised cost and subject to impairment test under MFRS 9 with "expected credit loss" model.
- CIS were classified as AFS. On the adoption of MFRS 9, these assets meet the criteria for mandatory measurement at FVTPL because the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

3. Changes in material accounting policies (continued)

(b) MFRS 9, *Financial Instruments* (continued)

vi. Effect of initial application (continued)

- Receivables and cash and cash equivalents were classified as loans and receivables under MFRS 139. On the adoption of MFRS 9, the receivables and cash and cash equivalents met the criteria for measurement at amortised cost.

(c) Material accounting policy information

The Company also adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', 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 Company's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

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4. Plant and equipment

	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Computers RM'000	Renovation RM'000	Total RM'000
Cost						
At 1 January 2022	303	412	744	1,822	2,522	5,803
Additions	-	-	22	130	-	152
Written off	-	-	-	(56)	-	(56)
At 31 December 2022/ 1 January 2023	303	412	766	1,896	2,522	5,899
Additions	-	9	3	122	-	134
Disposal	-	-	-	(285)	-	(285)
Written off	-	(18)	-	-	-	(18)
At 31 December 2023	<u>303</u>	<u>403</u>	<u>769</u>	<u>1,733</u>	<u>2,522</u>	<u>5,730</u>
Accumulated depreciation						
At 1 January 2022	61	365	709	1,282	2,384	4,801
Charge for the year	60	14	14	234	46	368
At 31 December 2022/ 1 January 2023	121	379	723	1,516	2,430	5,169
Charge for the year	61	9	17	193	41	321
Disposal	-	-	-	(285)	-	(285)
At 31 December 2023	<u>182</u>	<u>388</u>	<u>740</u>	<u>1,424</u>	<u>2,471</u>	<u>5,205</u>
Carrying amount						
At 1 January 2022	<u>242</u>	<u>47</u>	<u>35</u>	<u>540</u>	<u>138</u>	<u>1,002</u>
At 31 December 2022/ 1 January 2023	<u>182</u>	<u>33</u>	<u>43</u>	<u>380</u>	<u>92</u>	<u>730</u>
At 31 December 2023	<u>121</u>	<u>15</u>	<u>29</u>	<u>309</u>	<u>51</u>	<u>525</u>

4. Plant and equipment (continued)

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

	2023 RM'000	2022 RM'000
At cost:		
Furniture, fixtures and fittings	689	686
Computers	1,192	1,153
Office equipment	354	349
Renovation	2,318	2,318
	<u>4,553</u>	<u>4,506</u>

4.1 Material accounting policy information

(a) Recognition and measurement

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

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

(b) Depreciation

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

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

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

5. Intangible assets

	Software in use RM'000	Software under development RM'000	Total RM'000
Cost			
At 1 January 2022	957	3,076	4,033
Transfer	263	(263)	-
Written off	-	(101)	(101)
At 31 December 2022/1 January 2023	1,220	2,712	3,932
Additions	-	185	185
Transfer	739	(739)	-
Written off	-	(267)	(267)
At 31 December 2023	<u>1,959</u>	<u>1,891</u>	<u>3,850</u>
Amortisation			
At 1 January 2022	187	-	187
Amortisation for the year	170	-	170
At 31 December 2022/1 January 2023	357	-	357
Amortisation for the year	244	-	244
At 31 December 2023	<u>601</u>	<u>-</u>	<u>601</u>
Carrying amount			
At 1 January 2022	<u>770</u>	<u>3,076</u>	<u>3,846</u>
At 31 December 2022/1 January 2023	<u>863</u>	<u>2,712</u>	<u>3,575</u>
At 31 December 2023	<u>1,358</u>	<u>1,891</u>	<u>3,249</u>

5.1 Material accounting policy information

(a) Recognition and measurement

Intangibles assets, other than goodwill, that are acquired by the Company, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment loss.

(b) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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

Software	10 years
----------	----------

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

6. Right-of-use assets

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

	Office buildings RM'000	Printing and photostat machines RM'000	Total RM'000
At 1 January 2022	139	51	190
Additions	1,314	153	1,467
Depreciation charge for the year	<u>(727)</u>	<u>(45)</u>	<u>(772)</u>
At 31 December 2022/1 January 2023	726	159	885
Additions	793	-	793
Depreciation charge for the year	<u>(726)</u>	<u>(46)</u>	<u>(772)</u>
At 31 December 2023	<u>793</u>	<u>113</u>	<u>906</u>

6.1 Extension options

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

As of 31 December 2023, the Company has included all potential future cashflows of exercising the extension option in the lease liability.

6.2 Judgements and assumptions in relation to leases

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

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

6.3 Material accounting policy information

Recognition exemption

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

7. Investments

(a) Fair value through profit or loss ("FVTPL")

	2023 RM'000
At fair value	
<i>Investment mandatory measured at FVTPL</i>	
Unit trusts	
- Fixed Income CIS*	680,442
- Short Term Fixed Income CIS*	97,866
Total FVTPL	<u>778,308</u>

(b) Amortised cost ("AC")

	2023	
	Carrying amount RM'000	Fair value RM'000
At amortised cost		
Malaysian Government Guaranteed Securities	<u>20,998</u>	<u>21,224</u>

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

	2022	
	Carrying amount RM'000	Fair value RM'000
Unit trusts		
- Fixed Income CIS*	604,099	604,099
- Short Term Fixed Income CIS*	<u>97,327</u>	<u>97,327</u>
	<u>701,426</u>	<u>701,426</u>

* CIS is abbreviation for Collective Investment Schemes

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

	2022	
	Carrying amount RM'000	Fair value RM'000
Malaysian Government Guaranteed Securities	<u>21,498</u>	<u>22,469</u>

7. Investments (continued)

(e) Estimation of fair values

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

The following investments mature after 12 months:

	2023 RM'000	2022 RM'000
Financial assets:		
Amortised cost	1,008	-
Held-to-maturity	-	21,498
	<u> </u>	<u> </u>

(f) Carrying amounts of investments

The following tables show the movement of carrying values of other investments under original classification in accordance with MFRS 139 and new classification upon adoption of MFRS 9 from 1 January 2023.

(i) Original classification under MFRS 139

	HTM RM'000	AFS RM'000	Total RM'000
At 1 January 2022	22,002	614,304	636,306
Addition	-	303,403	303,403
Disposal/Maturity/Repayment	(500)	(228,271)	(228,771)
Distribution income reinvested	-	17,525	17,525
Impairment loss	-	(17,214)	(17,214)
(Losses)/Gains recorded in:			
- profit or loss	(4)	(992)	(996)
- other comprehensive loss	-	12,671	12,671
At 31 December 2022	<u>21,498</u>	<u>701,426</u>	<u>722,924</u>

(ii) New classification under MFRS 9

	AC RM'000	FVTPL RM'000	Total RM'000
At 1 January 2023	21,498	701,426	722,924
Addition	-	74,791	74,791
Disposal/Maturity/Repayment	(500)	(32,480)	(32,980)
Distribution income reinvested	-	26,136	26,136
Gains recorded in:			
- profit or loss	-	8,435	8,435
At 31 December 2023	<u>20,998</u>	<u>778,308</u>	<u>799,306</u>

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8. Deferred tax liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Plant and equipment	-	-	(176)	(187)	(176)	(187)
Provisions	467	402	-	-	467	402
Fair value of AFS investments	-	-	-	(58)	-	(58)
Fair value of FVTPL investments	-	-	(725)	-	(725)	-
Insurance contracts issued and reinsurance contracts held	-	-	(25,019)	(24,173)	(25,019)	(24,173)
Other items	-	6	-	-	-	6
Net deferred tax assets/(liabilities)	<u>467</u>	<u>408</u>	<u>(25,920)</u>	<u>(24,418)</u>	<u>(25,453)</u>	<u>(24,010)</u>

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

	At 1 January 2023 RM'000	Recognised in profit or loss (Note 21) RM'000	Adjustment on initial application of MFRS 9 RM'000	At 31 December 2023 RM'000
Plant and equipment	(187)	11	-	(176)
Provisions	402	65	-	467
Fair value of AFS investments	(58)	-	58	-
Fair value of FVTPL investments	-	(667)	(58)	(725)
Insurance contracts issued and reinsurance contracts held	(24,173)	(846)	-	(25,019)
Other items	6	(6)	-	-
	<u>(24,010)</u>	<u>(1,443)</u>	<u>-</u>	<u>(25,453)</u>
	Restated At 1 January 2022 RM'000	Recognised in profit or loss (Note 21) RM'000	Recognised in other comprehensive income (Note 22) RM'000	Restated At 31 December 2022 RM'000
Plant and equipment	(133)	(54)	-	(187)
Provisions	793	(391)	-	402
Fair value of AFS investments	956	-	(1,014)	(58)
Insurance contracts issued and reinsurance contracts held	(24,847)	674	-	(24,173)
Other items	4	2	-	6
	<u>(23,227)</u>	<u>231</u>	<u>(1,014)</u>	<u>(24,010)</u>

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

9. Receivables

a. Reinsurance Fund

	2023 RM'000	2022 RM'000
Other receivables	285	115
Deposits	285	280
Prepayments	836	920
Income due and accrued	300	329
	<u>1,706</u>	<u>1,644</u>
Receivable after 12 months	<u>115</u>	<u>115</u>

b. Retakaful Operator Fund

	2023 RM'000	2022 RM'000
Other receivables	32	-
Prepayments	75	-
	<u>107</u>	<u>-</u>
Receivable after 12 months	<u>-</u>	<u>-</u>
Total receivables	<u>1,813</u>	<u>1,644</u>

10. Cash and cash equivalents

a. Reinsurance Fund

	2023 RM'000	2022 RM'000
Cash and bank balances	70	194
Short term deposits with licensed banks	9,496	35,165
	<u>9,566</u>	<u>35,359</u>

b. Retakaful Operator Fund

	2023 RM'000	2022 RM'000
Cash and bank balances	76	-
Short term deposits with licensed banks	19,856	-
	<u>19,932</u>	<u>-</u>
Total cash and cash equivalents	<u>29,498</u>	<u>35,359</u>

11. Share capital

	2023		2022	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>	<u>51,000</u>

Ordinary shares

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

12. Insurance contracts and reinsurance contracts held

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the statement of profit or loss and other comprehensive income ("OCI").

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and OCI.

A second reconciliation is presented for contracts measured under the general measurement model ("GMM"), which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin ("CSM").

The following table sets out the carrying amount of insurance contracts and reinsurance contracts held expected to be settled more than 12 months after the reporting date.

	2023 RM'000	Restated 2022 RM'000
Insurance contract assets	13,595	299,042
Insurance contract liabilities	299,685	26,043
Reinsurance contract assets	(22,984)	(22,437)
Reinsurance contract liabilities	<u>(105,904)</u>	<u>(112,682)</u>

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12. Insurance contracts and reinsurance contracts held (continued)**(a) Movements in insurance contract liabilities****Insurance contracts****(i) Analysis by remaining coverage and incurred claims**

	Note	←----- 2023 ----->			
		Liabilities for remaining coverage Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	Total RM'000
Opening assets		(899,272)	-	811,958	(87,314)
Opening liabilities		(180,228)	-	234,689	54,461
Net opening balance		(1,079,500)	-	1,046,647	(32,853)
Changes in the statement of profit or loss and OCI					
Insurance revenue					
Contracts under the fair value transition approach		(394,655)	-	-	(394,655)
Other contracts		(175,416)	-	-	(175,416)
	16	(570,071)	-	-	(570,071)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(1,249)	520,794	519,545
Amortisation of insurance acquisition cash flows	16,19	4,319	-	-	4,319
Losses on onerous contracts	19	-	2,171	-	2,171
Adjustments to liabilities for incurred claims		-	-	35,585	35,585
	19	4,319	922	556,379	561,620
Investment components		(116,496)	-	116,496	-
Insurance service result		(682,248)	922	672,875	(8,451)
Net finance expenses from insurance contracts		(29,734)	-	806	(28,928)
Effect of movements in exchange rates		(174)	-	-	(174)
Total changes in the statement of profit or loss and OCI		(712,156)	922	673,681	(37,553)
Cash flows					
Premiums received		566,736	-	-	566,736
Claims and other insurance service expenses paid, including investment components		-	-	(451,813)	(451,813)
Insurance acquisition cash flows		(5,223)	-	-	(5,223)
Total cash flows		561,513	-	(451,813)	109,700
Net closing balance		(1,230,143)	922	1,268,515	39,294
Closing assets		(48,695)	-	28,575	(20,120)
Closing liabilities		(1,181,448)	922	1,239,940	59,414
Net closing balance		(1,230,143)	922	1,268,515	39,294

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12. Insurance and reinsurance contracts (continued)

(a) Movements in insurance contract liabilities (continued)

Insurance contracts (continued)

(i) Analysis by remaining coverage and incurred claims (continued)

	Note	Restated ←----- 2022 ----->			Total RM'000
		Liabilities for remaining coverage Excluding loss component RM'000	Loss component RM'000	Liabilities for incurred claims RM'000	
Opening assets		(819,802)	-	666,893	(152,909)
Opening liabilities		(192,664)	-	223,787	31,123
Net opening balance		(1,012,466)	-	890,680	(121,786)
<i>Changes in the statement of profit or loss and OCI</i>					
<i>Insurance revenue</i>					
Contracts under the fair value transition approach		(452,648)	-	-	(452,648)
Other contracts		(63,786)	-	-	(63,786)
	16	(516,434)	-	-	(516,434)
<i>Insurance service expenses</i>					
Incurred claims and other insurance service expenses		-	(894)	416,936	416,042
Amortisation of insurance acquisition cash flows	16,19	2,092	-	-	2,092
Losses on onerous contracts	19	-	887	-	887
Adjustments to liabilities for incurred claims		-	-	68,814	68,814
	19	2,092	(7)	485,750	487,835
Investment components		(124,118)	-	124,118	-
Insurance service result		(638,460)	(7)	609,868	(28,599)
Net finance expenses from insurance contracts		(9,268)	7	176	(9,085)
Effect of movements in exchange rates		(295)	-	-	(295)
Total changes in the statement of profit or loss and OCI		(648,023)	-	610,044	(37,979)
<i>Cash flows</i>					
Premiums received		585,577	-	-	585,577
Claims and other insurance service expenses paid, including investment components		-	-	(454,077)	(454,077)
Insurance acquisition cash flows		(4,588)	-	-	(4,588)
Total cash flows		580,989	-	(454,077)	126,912
Net closing balance		(1,079,500)	-	1,046,647	(32,853)
Closing assets		(899,272)	-	811,958	(87,314)
Closing liabilities		(180,228)	-	234,689	54,461
Net closing balance		(1,079,500)	-	1,046,647	(32,853)

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12. Insurance and reinsurance contracts (continued)**(a) Movements in insurance contract liabilities (continued)****Insurance contracts (continued)****(ii) Analysis by measurement component – Contracts measured under the GMM**

	Note	←----- 2023 ----->					
		Estimates of present value of future cash flows RM'000	Risk adjustment for non-financial risk RM'000	Contracts under fair value transition approach RM'000	←----- CSM ----->	Subtotal RM'000	Total RM'000
Opening assets		(625,115)	288,507	224,207	25,087	249,294	(87,314)
Opening liabilities		(57,359)	28,861	71,130	11,829	82,959	54,461
Net opening balance		(682,474)	317,368	295,337	36,916	332,253	(32,853)
Changes in the statement of profit or loss and OCI							
Changes that relate to current services		(12,762)	18,008	(30,159)	(21,294)	(51,453)	(46,207)
CSM recognised for services provided	16	-	-	(30,159)	(21,294)	(51,453)	(51,453)
Change in risk adjustment for non-financial risk for risk expired		-	18,008	-	-	-	18,008
Experience adjustments		(12,762)	-	-	-	-	(12,762)
Changes that relate to future services		(129,205)	34,987	11,908	84,481	96,389	2,171
Contracts initially recognised in the year	12(c)(i)	(128,749)	28,057	13,267	87,425	100,692	-
Changes in estimates that adjust the CSM		(2,601)	6,904	(1,359)	(2,944)	(4,303)	-
Changes in estimates that result in reversals of losses on onerous contracts		2,145	26	-	-	-	2,171
Changes that relate to past services		65,796	(30,211)	-	-	-	35,585
Adjustments to liabilities for incurred claims		(76,171)	22,784	(18,251)	63,187	44,936	(8,451)
Insurance service result		(67,388)	23,320	10,946	4,194	15,140	(28,928)
Net finance expenses from insurance contracts		(1,770)	379	1,164	53	1,217	(174)
Total changes in the statement of profit or loss and OCI		(145,329)	46,483	(6,141)	67,434	61,293	(37,553)
Cash flows*		109,700	-	-	-	-	109,700
Net closing balance		(718,103)	363,851	289,196	104,350	393,546	39,294
Closing assets		(64,182)	14,982	28,273	807	29,080	(20,120)
Closing liabilities		(653,921)	348,869	260,923	103,543	364,466	59,414
Net closing balance		(718,103)	363,851	289,196	104,350	393,546	39,294

* Cash flows are analysed in Note 12(a)(i)

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12. Insurance and reinsurance contracts (continued)**(a) Movements in insurance contract liabilities (continued)****Insurance contracts (continued)****(ii) Analysis by measurement component – Contracts measured under the GMM (continued)**

	Note	Restated 2022					Total RM'000
		Estimates of present value of future cash flows RM'000	Risk adjustment for non- financial risk RM'000	Contracts under fair value transition approach RM'000	Other contracts RM'000	Subtotal RM'000	
Opening assets		(619,155)	251,045	215,201	-	215,201	(152,909)
Opening liabilities		(86,781)	34,218	83,686	-	83,686	31,123
Net opening balance		(705,936)	285,263	298,887	-	298,887	(121,786)
Changes in the statement of profit or loss and OCI							
Changes that relate to current services							
CSM recognised for services provided	16	(69,534)	13,195	(31,823)	(10,138)	(41,961)	(98,300)
Change in risk adjustment for non-financial risk for risk expired		-	-	(31,823)	(10,138)	(41,961)	(41,961)
Experience adjustments		-	13,195	-	-	-	13,195
		(69,534)	-	-	-	-	(69,534)
Changes that relate to future services							
Contracts initially recognised in the year	12(c)(i)	(109,884)	43,629	21,387	45,755	67,142	887
Changes in estimates that adjust the CSM		(68,548)	21,286	348	47,258	47,606	344
Changes in estimates that result in reversals of losses on onerous contracts		(41,864)	22,328	21,039	(1,503)	19,536	-
		528	15	-	-	-	543
Changes that relate to past services							
Adjustments to liabilities for incurred claims		100,990	(32,176)	-	-	-	68,814
Insurance service result		(78,428)	24,648	(10,436)	35,617	25,181	(28,599)
Net finance expenses from insurance contracts		(23,590)	7,165	6,084	1,257	7,341	(9,084)
Effect of movements in exchange rates		(1,432)	292	802	42	844	(296)
Total changes in the statement of profit or loss and OCI		(103,450)	32,105	(3,550)	36,916	33,366	(37,979)
Cash flows*		126,912	-	-	-	-	126,912
Net closing balance		(682,474)	317,368	295,337	36,916	332,253	(32,853)
Closing assets		(625,115)	288,507	224,207	25,087	249,294	(87,314)
Closing liabilities		(57,359)	28,861	71,130	11,829	82,959	54,461
Net closing balance		(682,474)	317,368	295,337	36,916	332,253	(32,853)

* Cash flows are analysed in Note 12(a)(i)

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12. Insurance and reinsurance contracts (continued)**(b) Movements in reinsurance contract liabilities****Reinsurance contracts****(i) Analysis by remaining coverage and incurred claims**

	←----- 2023 ----->			
	Assets for remaining coverage		Assets for incurred claims	
Note	Excluding loss-recovery component RM'000	Loss-recovery component RM'000	RM'000	Total RM'000
Opening assets	(122,565)	-	134,314	11,749
Opening liabilities	(272,521)	-	257,270	(15,251)
Net opening balance	(395,086)	-	391,584	(3,502)
<i>Changes in the statement of profit or loss and OCI</i>				
Allocation of the premiums paid				
Contracts under the fair value transition approach	(99,968)	-	-	(99,968)
Other contracts	(59,779)	-	-	(59,779)
	(159,747)	-	-	(159,747)
Amounts recovered from reinsurance contracts held				
Recoveries of incurred claims and other insurance service expenses	-	-	142,135	142,135
Recoveries of losses on onerous contracts	-	1	-	1
Adjustments to assets for incurred claims	-	-	8,753	8,753
	-	1	150,888	150,889
Investment components	(46,340)	-	46,340	-
Total net expenses from reinsurance contracts held	(206,087)	1	197,228	(8,858)
Net finance expenses from reinsurance contracts	(10,140)	-	-	(10,140)
Effect of changes in non-performance risk of reinsurers	44	-	-	44
Effect of movements in exchange rates	89	-	-	89
Total changes in the statement of profit or loss and OCI	(216,094)	1	197,228	(18,865)
<i>Cash flows</i>				
Premiums paid	185,863	-	-	185,863
Amounts recovered	-	-	(143,877)	(143,877)
Total cash flows	185,863	-	(143,877)	41,986
Net closing balance	(425,317)	1	444,935	19,619
Closing assets	(120,400)	1	149,998	29,599
Closing liabilities	(304,917)	-	294,937	(9,980)
Net closing balance	(425,317)	1	444,935	19,619

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12. Insurance and reinsurance contracts (continued)

(b) Movements in reinsurance contract liabilities (continued)

Reinsurance contracts (continued)

(i) Analysis by remaining coverage and incurred claims (continued)

	Note	Restated			Total RM'000
		←----- 2022 ----->			
		Assets for remaining coverage Excluding loss- recovery component RM'000	Loss-recovery component RM'000	Assets for incurred claims RM'000	
Opening assets		(105,706)	-	113,716	8,010
Opening liabilities		(240,274)	-	188,932	(51,342)
Net opening balance		(345,980)	-	302,648	(43,332)
Changes in the statement of profit or loss and OCI					
Allocation of the premiums paid					
Contracts under the fair value transition approach		(136,932)	-	-	(136,932)
Other contracts		(18,154)	-	-	(18,154)
		(155,086)	-	-	(155,086)
Amounts recovered from reinsurance contracts held					
Recoveries of incurred claims and other insurance service expenses		-	-	113,926	113,926
Adjustments to assets for incurred claims		-	-	44,751	44,751
		-	-	158,677	158,677
Investment components		(42,249)	-	42,249	-
Total net expenses from reinsurance contracts held		(197,335)	-	200,926	3,591
Net finance expenses from reinsurance contracts		(4,396)	-	-	(4,396)
Effect of changes in non-performance risk of reinsurers	17	1	-	-	1
Effect of movements in exchange rates		89	-	-	89
Total changes in the statement of profit or loss and OCI		(201,641)	-	200,926	(715)
Cash flows					
Premiums paid		152,535	-	-	152,535
Amounts recovered		-	-	(111,990)	(111,990)
Total cash flows		152,535	-	(111,990)	40,545
Net closing balance		(395,086)	-	391,584	(3,502)
Closing assets		(122,565)	-	134,314	11,749
Closing liabilities		(272,521)	-	257,270	(15,251)
Net closing balance		(395,086)	-	391,584	(3,502)

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12. Insurance and reinsurance contracts (continued)**(b) Movements in reinsurance contract liabilities (continued)****Reinsurance contracts (continued)****(ii) Analysis by measurement component – Contracts measured under the GMM**

	Note	←----- 2023 ----->					
		Estimates of present value of future cash flows RM'000	Risk adjustment for non- financial risk RM'000	Contracts under fair value transition approach RM'000	←----- CSM ----->		
				Other contracts RM'000	Subtotal RM'000	Total RM'000	
Opening assets		(63,273)	20,151	47,870	7,001	54,871	11,749
Opening liabilities		(138,253)	66,388	38,786	17,828	56,614	(15,251)
Net opening balance		(201,526)	86,539	86,656	24,829	111,485	(3,502)
Changes in the statement of profit or loss and OCI							
Changes that relate to current services		(3,965)	6,998	(8,599)	(12,045)	(20,644)	(17,611)
CSM recognised for services provided		-	-	(8,599)	(12,045)	(20,644)	(20,644)
Change in risk adjustment for non-financial risk for risk expired		-	6,998	-	-	-	6,998
Experience adjustments		(3,965)	-	-	-	-	(3,965)
Changes that relate to future services		(23,919)	1,092	(10,833)	33,661	22,828	1
Contracts initially recognised in the year	12(c)(ii)	(34,440)	4,870	1,860	27,710	29,570	-
Changes in estimates that adjust the CSM		10,521	(3,778)	(12,693)	5,950	(6,743)	-
Changes in estimates that result in reversals of losses on onerous contracts		-	-	-	1	1	1
Changes that relate to past services							
Adjustments to assets for incurred claims		20,982	(12,230)	-	-	-	8,752
Net expenses from reinsurance contracts held		(6,902)	(4,140)	(19,432)	21,616	2,184	(8,858)
Net finance expenses from reinsurance contracts held		(20,351)	5,284	3,136	1,791	4,927	(10,140)
Effect of changes in non-performance risk of reinsurers	17	44	-	-	-	-	44
Effect of movements in exchange rates		(27)	4	111	1	112	89
Total changes in the statement of profit or loss and OCI		(27,236)	1,148	(16,185)	23,408	7,223	(18,865)
Cash flows*		41,986	-	-	-	-	41,986
Net closing balance		(186,776)	87,687	70,471	48,237	118,708	19,619
Closing assets		(57,148)	19,860	44,600	22,287	66,887	29,599
Closing liabilities		(129,628)	67,827	25,871	25,950	51,821	(9,980)
Net closing balance		(186,776)	87,687	70,471	48,237	118,708	19,619

* Cash flows are analysed in Note 12(b)(i)

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12. Insurance and reinsurance contracts (continued)**(b) Movements in reinsurance contract liabilities (continued)****Reinsurance contracts (continued)****(ii) Analysis by measurement component – Contracts measured under the GMM (continued)**

	Note	Restated 2022					Total RM'000
		Estimates of present value of future cash flows RM'000	Risk adjustment for non- financial risk RM'000	Contracts under fair value transition approach RM'000	Other contracts RM'000	Subtotal RM'000	
Opening assets		(76,696)	24,560	60,146	-	60,146	8,010
Opening liabilities		(138,327)	60,202	26,783	-	26,783	(51,342)
Net opening balance		(215,023)	84,762	86,929	-	86,929	(43,332)
<i>Changes in the statement of profit or loss and OCI</i>							
Changes that relate to current services							
CSM recognised for services provided		-	-	(10,428)	(5,084)	(15,512)	(15,512)
Change in risk adjustment for non-financial risk for risk expired		-	6,283	-	-	-	6,283
Experience adjustments		(31,931)	-	-	-	-	(31,931)
Changes that relate to future services		(44,131)	6,737	8,279	29,115	37,394	-
Contracts initially recognised in the year	12(c)(ii)	(36,634)	6,518	106	30,010	30,116	-
Changes in estimates that adjust the CSM		(7,497)	219	8,173	(895)	7,278	-
Changes that relate to past services							
Adjustments to assets for incurred claims		58,049	(13,298)	-	-	-	44,751
Net expenses from reinsurance contracts held		(18,013)	(278)	(2,149)	24,031	21,882	3,591
Net finance expenses from reinsurance contracts		(9,014)	2,052	1,768	798	2,566	(4,396)
Effect of changes in non-performance risk of reinsurers	17	1	-	-	-	-	1
Effect of movements in exchange rates		(23)	4	108	-	108	89
Total changes in the statement of profit or loss and OCI		(27,049)	1,778	(273)	24,829	24,556	(715)
Cash flows*		40,545	-	-	-	-	40,545
Net closing balance		(201,527)	86,540	86,656	24,829	111,485	(3,502)
Closing assets		(63,273)	20,151	47,870	7,001	54,871	11,749
Closing liabilities		(138,254)	66,389	38,786	17,828	56,614	(15,251)
Net closing balance		(201,527)	86,540	86,656	24,829	111,485	(3,502)

* Cash flows are analysed in Note 12(b)(i)

12. Insurance and reinsurance contracts (continued)

(c) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance contracts and reinsurance contracts held measured under the GMM in the year.

(i) Insurance contracts

	Note	Profitable contracts issued RM'000	Onerous contracts issued RM'000	Total RM'000
2023				
Insurance acquisition cash flows		7,787	-	7,787
Claims and other cash outflows		675,830	-	675,830
Estimates of the present value of future cash outflows		683,617	-	683,617
Estimates of present value of cash inflows		(812,366)	-	(812,366)
Risk adjustment for non-financial risk		28,057	-	28,057
Contractual service margin		100,692	-	100,692
Losses recognised on initial recognition	12(a)(ii)	-	-	-
Restated				
2022				
Insurance acquisition cash flows		6,899	-	6,899
Claims and other cash outflows		559,406	334	559,740
Estimates of the present value of future cash outflows		566,305	334	566,639
Estimates of present value of cash inflows		(635,187)	-	(635,187)
Risk adjustment for non-financial risk		21,276	10	21,286
Contractual service margin		47,606	-	47,606
Losses recognised on initial recognition	12(a)(ii)	-	344	344

12. Insurance and reinsurance contracts (continued)

(c) Effect of contracts initially recognised in the year (continued)

(ii) Reinsurance contracts held

	Note	Contracts initiated without loss- recovery component RM'000	Contracts initiated with loss- recovery component RM'000	Total RM'000
2023				
Estimates of present value of cash inflows		153,392	-	153,392
Estimates of present value of cash outflows		(118,952)	-	(118,952)
Risk adjustment for non-financial risk		(4,870)	-	(4,870)
Contractual Service Margin	12(b)(ii)	<u>29,570</u>	-	<u>29,570</u>
Restated				
2022				
Estimates of present value of cash inflows		191,055	-	191,055
Estimates of present value of cash outflows		(154,421)	-	(154,421)
Risk adjustment for non-financial risk		(6,518)	-	(6,518)
Contractual Service Margin	12(b)(ii)	<u>30,116</u>	-	<u>30,116</u>

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12. Insurance and reinsurance contracts (continued)

(d) Contractual service margin

The following table sets out when the Company expects to recognise the remaining CSM in profit or loss after the reporting date for contracts measured under GMM.

	1 year or less RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 Years RM'000	5-10 years RM'000	More than 10 years RM'000	Total RM'000
2023								
Insurance contracts	43,445	32,839	29,597	26,681	24,047	90,792	146,145	393,546
Reinsurance contracts held	16,114	10,503	9,452	8,487	7,621	28,335	38,196	118,708
Restated 2022								
Insurance contracts	34,299	27,165	24,616	22,252	20,129	76,512	127,280	332,253
Reinsurance contracts held	13,134	9,694	8,747	7,888	7,111	26,633	38,278	111,485

13. Lease liabilities

Leases as lessee

	2023 RM'000	2022 RM'000
Lease liabilities are payable as follows:		
- Within next 12 months	836	821
- After next 12 months	75	118
	<u>911</u>	<u>939</u>

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

	Note	2023 RM'000	2022 RM'000
At 1 January		939	205
Net changes from financing cash flows		(821)	(721)
Acquisition of new leases	6	793	1,467
Modification of leases		-	(12)
At 31 December		<u>911</u>	<u>939</u>

13.2 Amounts recognised in statement of cash flows

	2023 RM'000	2022 RM'000
Included in net cash from operating activities:		
Interest on lease liabilities	(47)	(81)
Payment relating to leases of low-value assets	-	(2)
Included in net cash from financing activities:		
Payment of lease liabilities	<u>(821)</u>	<u>(721)</u>
Total cash outflows for leases	<u>(868)</u>	<u>(804)</u>

14. Other payables**(a) Reinsurance Fund**

	2023 RM'000	Restated 2022 RM'000
Other payables	1,686	8,610
Accrued expenses	8,359	10,924
	<u>10,045</u>	<u>19,534</u>

Included in other payables is RM189,000 (2022: RM189,000) due to an affiliated company.

(b) Retakaful Operator Fund

	2023 RM'000	2022 RM'000
Other payables	45	-
Accrued expenses	238	-
	<u>283</u>	<u>-</u>
 Total other payables	 <u>10,328</u>	 <u>19,534</u>

15. Operating revenue

	Note	2023 RM'000	Restated 2022 RM'000
Insurance revenue	16	570,071	516,434
Investment income	17(b)	28,176	350
		<u>598,247</u>	<u>516,784</u>

16. Insurance revenue

	Note	2023 RM'000	Restated 2022 RM'000
Amounts relating to changes in liabilities for remaining coverage			
- Contractual service margin recognised for services provided	12(a)(ii)	51,453	41,961
- Change in risk adjustment for non-financial risk for risk expired		19,060	17,152
- Expected incurred claims and other insurance service expenses		435,008	376,848
- Other		60,231	78,381
Recovery of insurance acquisition cash flows	12(a)(i)	<u>4,319</u>	<u>2,092</u>
Total insurance revenue	12(a)(i),15	<u>570,071</u>	<u>516,434</u>

17. Net financial result

The following table analyses the Company's net financial result in profit or loss and other comprehensive income ("OCI").

	Note	2023 RM'000	Restated 2022 RM'000
Investment return			
Investment income	17(b)	28,176	350
Net fair value gains	17(c)	8,344	-
Amount recognised in OCI		-	11,657
Total investment return		<u>36,520</u>	<u>12,007</u>
Net finance income from insurance contracts			
Interest accreted		8,974	5,760
Effect of changes in interest rates and other financial assumptions		19,954	3,325
Effect of measuring changes in estimates at current rates and adjusting the contractual service margin at rates on initial recognition		174	295
Total net finance income from insurance contracts	17(a)	<u>29,102</u>	<u>9,380</u>
Net finance expense from reinsurance contracts held			
Interest accreted		(3,977)	(2,566)
Effect of changes in non-performance risk of reinsurers	12(b)(i)	44	1
Others		(6,074)	(1,741)
Total net finance expense from reinsurance contracts held	17(a)	<u>(10,007)</u>	<u>(4,306)</u>
		<u>55,615</u>	<u>17,081</u>
Represented by:			
Amounts recognised in profit or loss		55,615	5,424
Amounts recognised in OCI		-	11,657
		<u>55,615</u>	<u>17,081</u>

17. Net financial result (continued)

(a) Insurance finance income and expenses

	Note	2023 RM'000	Restated 2022 RM'000
Net finance income from insurance contracts recognised in profit or loss	12(a)	<u>29,102</u>	<u>9,380</u>
Net finance expense from reinsurance contracts held recognised in profit or loss	12(b)	<u>(10,007)</u>	<u>(4,306)</u>

(b) Investment income

	Note	2023 RM'000	2022 RM'000
Reinsurance funds			
<i>Fair value through profit or loss financial assets</i>			
- distribution income		28,640	-
- realised gain		90	-
<i>Amortised Cost</i>			
- interest income		933	-
- realised loss		(4)	-
<i>Held-to-maturity investments</i>			
- interest income		-	971
- realised loss		-	(6)
<i>Available-for-sale investments</i>			
- distribution income		-	19,775
- impairment loss		-	(17,214)
- realised loss		-	(992)
<i>Fixed and call deposits with licensed financial institutions</i>			
- interest income		848	70
Less:			
Investment expenses		<u>(2,508)</u>	<u>(2,254)</u>
Total investment income		27,999	350
Retakaful operator fund			
<i>Fixed and call deposits with licensed financial institutions</i>			
- interest income		<u>177</u>	-
Total investment income		<u>28,176</u>	<u>350</u>

17. Net financial result (continued)**(c) Net fair value gains and losses**

	2023 RM'000	2022 RM'000
Fair value gains for:		
<i>Fair value through profit or loss financial assets</i>		
Unit trusts		
- Fixed Income CIS*	7,539	-
- Short Term Fixed Income CIS*	805	-
	<u>8,344</u>	<u>-</u>

18. Other operating income

	2023 RM'000	Restated 2022 RM'000
Realised loss in foreign exchange	(555)	(67)
Unrealised gain/(loss) in foreign exchange	11	(19)
Other income	<u>2,737</u>	<u>2,044</u>
	<u>2,193</u>	<u>1,958</u>

19. Other operating expenses

	Note	2023 RM'000	Restated 2022 RM'000
Reinsurance funds:			
Employee benefits expenses		15,831	15,860
Directors' remuneration		1,164	1,044
Auditors' remuneration			
- Audit fees		540	377
Depreciation of plant and equipment		321	368
Depreciation of right-of-use assets		772	772
Interest on lease liabilities		47	81
Amortisation of intangible assets		244	170
Direct operating expenses (revenue-generating)		7,068	4,010
Incurred claims		503,162	433,890
Losses on onerous insurance contracts	12(a)(i)	2,171	887
Other expenses		25,988	28,292
		<u>557,308</u>	<u>485,751</u>
Amortisation of insurance acquisition cash flows	12(a)(i)	4,319	2,092
		<u>561,627</u>	<u>487,843</u>
Retakaful operator fund:			
Employee benefits expenses		646	-
Shariah Advisory Board fees		85	-
Auditors' remuneration			
- Audit fees		40	-
Direct operating expenses (revenue-generating)		342	-
Other expenses		37	-
		<u>1,150</u>	<u>-</u>
Total other operating expenses		<u>562,777</u>	<u>487,843</u>
Represented by:			
Insurance service expense	12(a)(i)	561,620	487,835
Other operating expense		1,157	8
		<u>562,777</u>	<u>487,843</u>

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20. Key management personnel compensation

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

2023

	Fees RM'000	Salary RM'000	Bonus RM'000	EPF RM'000	Other RM'000	Benefits- in-kind RM'000	Total RM'000
Chief Executive Officer							
Patrick Cheah Gim Guan	-	658	-	79	-	14	751
Non-Executive Directors							
Y. Bhg. Datuk Kamaruddin Taib	124	-	-	-	13	-	137
Toi See Jong	136	-	-	-	29	-	165
Y. Bhg. Dato Koh Yaw Hui	105	-	-	-	22	-	127
Lau Yew Kong	22	-	-	-	3	-	25
Y. Bhg. Dato' Sri Muthanna Abdullah	143	-	-	-	39	-	182
Ahmad Subri bin Abdullah	136	-	-	-	26	-	162
Tan Lye Sim	144	-	-	-	38	-	182
Low Shih Nin and Tan Kay How *	144	-	-	-	40	-	184
Total Directors' Remuneration (including benefits-in-kind)	954	-	-	-	210	-	1,164
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	954	658	-	79	210	14	1,915

* These Directors are nominees of an affiliated company, Reinsurance Group of America, Incorporated (RGA). Their remuneration are paid directly to RGA.

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20. Key management personnel compensation (continued)

2022

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

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

21. Tax expense

	2023 RM'000	Restated 2022 RM'000
Current tax expense		
- current year	1,137	3,450
- under provision in prior years	247	233
	<u>1,384</u>	<u>3,683</u>
Deferred tax expense		
- origination and reversal of temporary differences	1,456	(275)
- (over)/under provision in prior years	(13)	44
	<u>1,443</u>	<u>(231)</u>
	<u>2,827</u>	<u>3,452</u>
Reconciliation of tax expense		
Profit before tax	<u>56,244</u>	<u>39,564</u>
Tax at Malaysian tax rate of 8% (2022: 8%)	4,500	3,165
Income not subject to tax	(2,291)	(1,581)
Non-deductible expenses	384	1,591
	<u>2,593</u>	<u>3,175</u>
Under provision in prior years	234	277
Tax expense	<u>2,827</u>	<u>3,452</u>

22. Other comprehensive income

	<-----2023----->			<-----2022----->		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Fair value of available-for-sale- investments						
- Gain arising during the year	-	-	-	12,671	(1,014)	11,657
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,671</u>	<u>(1,014)</u>	<u>11,657</u>

23. Dividends

Dividends recognised by the Company	Sen per share	Total amount RM'000	Date of payment
2023			
Final 2022 ordinary	43.00	<u>21,933</u>	2 June 2023
2022			
Final 2021 ordinary	41.02	<u>20,918</u>	31 May 2022

24. Related parties

Identity of related parties

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

i) Holding company

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

ii) Affiliated company

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

iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include the Chief Executive Officer and all the Directors of the Company. Key management personnel compensation is disclosed in Note 20 to the financial statements.

24. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below.

	2023 RM'000	2022 RM'000
Shareholders of the holding company		
Gross premium income	631,048	605,876
Discount payable	(17,395)	(17,128)
Profit commission payable	(45,831)	(15,139)
Claims payable	<u>(481,587)</u>	<u>(488,058)</u>
Affiliated company		
Gross premium income	85,841	55,695
Discount payable	(1,874)	(1,153)
Profit commission recoverable	6,957	3,666
Gross premium retroceded	(213,848)	(204,749)
Retroceded discount receivable	3,026	1,753
IT Support Services		
- Worldwide	-	(55)
Administrative Services		
- Labuan	2,737	2,044
Claims payable	(61,163)	(36,922)
Claims recoverable	<u>160,867</u>	<u>170,394</u>

The outstanding balances related to the above transactions are shown as below.

	2023 RM'000	2022 RM'000
Shareholders of the holding company	86,235	85,551
Affiliated company	<u>(18,938)</u>	<u>(12,833)</u>

25. Risk management framework

The risk management framework of the Company is as follows:

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

25. Risk management framework (continued)

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

Capital Management

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

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

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

Management of Climate-related Risks

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

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

25. Risk management framework (continued)

Management of Climate-related Risks (continued)

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

25. Risk management framework (continued)

Management of Climate-related Risks (continued)

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

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

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

Sustainability

The Company is managing its business in a sustainable and responsible manner in order to achieve long-term sustainable growth and value for its stakeholders. The sustainability strategy comprises of three key pillars, namely net zero, people and community, sustainable operations and the Company's commitments serve as guidance in daily operations including planning, risk management, compliance, actions plans and activities.

In proposing new CIS funds or additional injection to existing CIS funds, environmental, social and governance ("ESG") exposures, risks and impacts are taken into consideration with a view to strengthen the Company's sustainability commitments through responsible and accountable investment without compromise the Company's investment and financial objectives.

26. Insurance risk management

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

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

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

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26. Insurance risk management (continued)

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

The table below sets out the concentration of the Company's insurance revenue by type of product.

	<-----2023----->			Restated <-----2022----->		
	Gross RM'000	Retrocession RM'000	Net RM'000	Gross RM'000	Retrocession RM'000	Net RM'000
Yearly Renewable Term - Life WM	398,326	(78,361)	319,965	390,285	(87,498)	302,787
Yearly Renewable Term - Health WM	56,652	(42,670)	13,982	36,592	(27,094)	9,498
Surplus Relief Reinsurance WM	49,234	(35,394)	13,840	43,336	(38,907)	4,429
Others	65,859	(3,322)	62,537	46,221	(1,587)	44,634
Total	570,071	(159,747)	410,324	516,434	(155,086)	361,348

The table below sets out the concentration of the Company's insurance contract assets and insurance contract liabilities by type of product.

	<-----2023----->			Restated <-----2022----->		
	Insurance Contract Assets RM'000	Insurance Contract Liabilities RM'000	Net RM'000	Insurance Contract Assets RM'000	Insurance Contract Liabilities RM'000	Net RM'000
Yearly Renewable Term - Life WM	-	(9,096)	(9,096)	64,813	-	64,813
Surplus Relief Reinsurance WM	-	(17,141)	(17,141)	-	(16,029)	(16,029)
Yearly Renewable Term - Health WM	-	(13,542)	(13,542)	-	(14,124)	(14,124)
Coinurance - Life WM	17,229	-	17,229	13,699	-	13,699
Others	2,891	(19,635)	(16,744)	8,802	(24,308)	(15,506)
Total	20,120	(59,414)	(39,294)	87,314	(54,461)	32,853

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26. Insurance risk management (continued)

The table below sets out the concentration of the Company's reinsurance contract assets and reinsurance contract liabilities by type of product.

	<-----2023----->			Restated <-----2022----->		
	Reinsurance Contract Assets RM'000	Reinsurance Contract Liabilities RM'000	Net RM'000	Reinsurance Contract Assets RM'000	Reinsurance Contract Liabilities RM'000	Net RM'000
Yearly Renewable Term - Life WM	-	(9,171)	(9,171)	-	(15,240)	(15,240)
Surplus Relief Reinsurance WM	14,254	-	14,254	2,028	-	2,028
Yearly Renewable Term - Life OM	3,004	-	3,004	2,768	-	2,768
Yearly Renewable Term - Health WM	10,471	-	10,471	4,630	-	4,630
Others	1,870	(809)	1,061	2,323	(11)	2,312
Total	29,599	(9,980)	19,619	11,749	(15,251)	(3,502)

Key assumptions

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

Sensitivities

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

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26. Insurance risk management (continued)

Sensitivities (continued)

2023

	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
		RM'000	RM'000	RM'000	RM'000
Mortality/morbidity rate	+5%	(51,877)	(36,801)	(47,727)	(33,857)
Expenses	+10%	(3,733)	(3,733)	(3,434)	(3,434)
Lapse and surrenders rate	+40%	(14,091)	(11,686)	(12,964)	(10,751)
Discount rate	+100 basis point	(49,977)	(34,132)	(45,979)	(31,401)
Mortality/morbidity rate	-5%	52,776	37,835	48,554	34,808
Expenses	-10%	3,733	3,733	3,434	3,434
Lapse and surrenders rate	-40%	27,598	22,439	25,390	20,644
Discount rate	-100 basis point	58,130	40,141	53,480	36,930

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26. Insurance risk management (continued)

Sensitivities (continued)

2022

	Change in assumptions	Impact on profit before tax gross of reinsurance	Impact on profit before tax net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
		RM'000	RM'000	RM'000	RM'000
Mortality/morbidity rate	+5%	(45,809)	(32,758)	(42,144)	(30,137)
Expenses	+10%	(3,349)	(3,349)	(3,081)	(3,081)
Lapse and surrenders rate	+40%	(12,038)	(10,663)	(11,075)	(9,810)
Discount rate	+100 basis point	(44,836)	(28,547)	(41,249)	(26,263)
Mortality/morbidity rate	-5%	47,403	34,607	43,611	31,838
Expenses	-10%	3,349	3,349	3,081	3,081
Lapse and surrenders rate	-40%	23,389	19,691	21,518	18,116
Discount rate	-100 basis point	51,313	32,783	47,208	30,160

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26. Insurance risk management (continued)

Sensitivities (continued)

	Change in assumptions	2023		2022	
		Impact on CSM before tax gross of reinsurance	Impact on CSM before tax net of reinsurance	Impact on CSM before tax gross of reinsurance	Impact on CSM before tax gross of reinsurance
		RM'000	RM'000	RM'000	RM'000
Mortality/morbidity rate	+5%	(265,783)	(196,812)	(251,322)	(183,313)
Expenses	+10%	(41,914)	(41,914)	(37,979)	(37,979)
Lapse and surrenders rate	+40%	(162,460)	(137,627)	(138,159)	(119,084)
Mortality/morbidity rate	-5%	280,472	206,170	271,501	196,827
Expenses	-10%	41,914	41,914	37,979	37,979
Lapse and surrenders rate	-40%	322,366	269,619	276,924	231,382

27. Financial instruments

27.1 Categories of financial instruments

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

2023

- (a) Mandatory at fair value through profit and loss ("FVTPL");
- (b) Amortised cost ("AC"); and
- (c) Financial liabilities measured at amortised cost ("FL")

2022

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

	Carrying amount RM'000	AC/ (FL) RM'000	Mandatory At FVTPL RM'000		
2023					
Financial assets					
Investments	799,306	20,998	778,308		
Receivables, excluding prepayments	902	902	-		
Cash and cash equivalents	29,498	29,498	-		
	<u>829,706</u>	<u>51,398</u>	<u>778,308</u>		
Financial liabilities					
Other payables	10,328	10,328	-		
	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	HTM RM'000	
Restated 2022					
Financial assets					
Investments	722,924	-	701,426	21,498	
Receivables, excluding prepayments	724	724	-	-	
Cash and cash equivalents	35,359	35,359	-	-	
	<u>759,007</u>	<u>36,083</u>	<u>701,426</u>	<u>21,498</u>	
Financial liabilities					
Other payables	19,534	19,534	-	-	

27. Financial instruments (continued)

27.2 Net gains and losses arising from financial instruments

	2023 RM'000	2022 RM'000
Net gains/(losses) arising on:		
Mandatory at FVTPL	37,074	-
Financial assets at AC	1,965	-
Held-to-maturity investments	-	965
Available-for-sale investments		
- recognised in profit or loss	-	1,569
- recognised in other comprehensive income	-	12,671
Loans and receivables	-	(16)
	<u>39,039</u>	<u>15,189</u>

27.3 Financial risk management

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

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

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

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

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

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

27. Financial instruments (continued)

27.4 Credit risk (continued)

Risk management objectives, policies and process for managing the risk

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

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

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

Cash and deposits are placed with financial institutions licensed under the Financial Service Act, 2013 and Islamic Financial Service Act, 2013 which are regulated by Bank Negara Malaysia, guided by the Company's approved exposure limits and minimal credit rating requirements for each financial institution.

At the end of the reporting period, there was no significant concentration of credit risk.

27.4.1 Credit exposure

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

	2023 RM'000	Restated 2022 RM'000
Investments:		
Amortised cost investments	20,998	-
Held-to-maturity investments	-	21,498
Insurance contract assets	20,120	87,314
Reinsurance contract assets	29,599	11,749
Receivables, excluding prepayments	902	724
Cash and cash equivalents	29,498	35,359
	<u>101,117</u>	<u>156,644</u>

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27. Financial instruments (continued)

27.4 Credit risk (continued)

27.4.1 Credit exposure (continued)

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

	AAA RM'000	AA RM'000	A RM'000	B RM'000	Not-rated RM'000	Total RM'000
2023						
Investments:						
Amortised cost	-	-	-	-	20,998	20,998
Reinsurance contract assets	-	29,305	215	-	79	29,599
Receivables, excluding prepayments	-	-	-	-	902	902
Cash and cash equivalents	3,322	26,176	-	-	-	29,498
	<u>3,322</u>	<u>55,481</u>	<u>215</u>	<u>-</u>	<u>21,979</u>	<u>80,997</u>
Restated 2022						
Investments:						
Held-to-maturity investments	-	-	-	-	21,498	21,498
Reinsurance contract assets	-	11,559	111	-	79	11,749
Receivables, excluding prepayments	-	-	-	-	724	724
Cash and cash equivalents	6,391	28,968	-	-	-	35,359
	<u>6,391</u>	<u>40,527</u>	<u>111</u>	<u>-</u>	<u>22,301</u>	<u>69,330</u>

27. Financial instruments (continued)

27.5 Liquidity risk

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

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

27.5.1 Maturity analysis

Insurance contracts and reinsurance contracts held

The table below summarises the maturity profile of the Company's insurance contracts and reinsurance contracts held, which reflects the dates on which the cash flows are expected to occur. The maturity profile is determined based on remaining discounted contractual obligations.

	Carrying amount RM'000	1 year or less* RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
2023								
Insurance contract liabilities	59,414	257,031	(79,711)	(75,211)	(71,302)	(67,667)	(1,312,679)	(1,349,541)
Reinsurance contract liabilities	9,980	(80,870)	20,954	19,800	18,698	17,681	251,055	247,318
Restated								
2022								
Insurance contract liabilities	54,461	51,936	(12,488)	(11,529)	(10,749)	(9,790)	(115,624)	(108,243)
Reinsurance contract liabilities	15,251	(84,172)	21,121	20,622	19,663	18,836	275,439	271,509

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

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27. Financial instruments (continued)

27.5 Liquidity risk (continued)

27.5.1 Maturity analysis (continued)

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

	Carrying amount RM'000	Contractual Interest rate/ Discount rate	Contractual cash flow RM'000	Up to a year* RM'000	1 - 5 years RM'000	Above 5 years RM'000
2023						
Other payables	10,328	-	10,328	9,188	1,140	-
Lease liabilities	<u>911</u>	5%	<u>945</u>	<u>864</u>	<u>81</u>	<u>-</u>
	<u>11,239</u>		<u>11,273</u>	<u>10,052</u>	<u>1,221</u>	<u>-</u>
Restated 2022						
Other payables	19,534	-	19,534	17,755	1,779	-
Lease liabilities	<u>939</u>	5%	<u>998</u>	<u>868</u>	<u>130</u>	<u>-</u>
	<u>20,473</u>		<u>20,532</u>	<u>18,623</u>	<u>1,909</u>	<u>-</u>

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

27. Financial instruments (continued)

27.6 Market risk

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

27.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

As at the end of the reporting period, 2.03% (2022: 1.99%) of the Company's businesses are from overseas business. As such, the Company has minimal exposure to foreign currency risk, and currency risk sensitivity is not disclosed. The net reinsurance premiums due to the Company from foreign clients are deposited into a multi-currency bank account which would later be transferred to a Ringgit-denominated account.

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27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.1 Currency risk (continued)

Exposure to foreign currency risk

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

	US Dollar RM'000	Philippines Peso RM'000	Brunei Dollar RM'000	Thailand Baht RM'000	Singapore Dollar RM'000	Indonesian Rupiah RM'000	Taiwan Dollar RM'000
2023							
Insurance contract assets	595	140	-	-	-	(5)	(10)
Cash and cash equivalents	2	-	-	-	2	-	-
	<u>597</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>(5)</u>	<u>(10)</u>
2022							
Insurance contract assets	(480)	89	(309)	(288)	5,803	111	-
Cash and cash equivalents	-	-	-	-	1	-	-
	<u>(480)</u>	<u>89</u>	<u>(309)</u>	<u>(288)</u>	<u>5,804</u>	<u>111</u>	<u>-</u>

27.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The Company is exposed to interest rate risk primarily through its investments in fixed income securities, insurance contracts and reinsurance contracts held. Interest rate risk is managed by the Company on an ongoing basis.

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

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

	2023	2022
	RM'000	RM'000
Fixed rate instruments		
- Investments (excluding zero coupon bond)	20,998	21,498
Short term deposits with licensed banks	<u>29,352</u>	<u>35,165</u>
	<u><u>50,350</u></u>	<u><u>56,663</u></u>

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

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis

An analysis of the Company's sensitivity to a +/- 25 basis points change in the interest rate at the reporting date, assuming that all other variables remain constant, is presented below:

	Impact on profit before tax		Impact on equity*	
	+25 basis points RM'000	-25 basis points RM'000	+25 basis points RM'000	-25 basis points RM'000
2023				
Financial instruments	(60)	60	(55)	55
2022				
Financial instruments	(1,564)	1,564	(1,439)	1,439

* Impact on equity reflects adjustments for tax, when applicable.

An analysis of the Company's sensitivity to a +/- 100 basis points change in the discount rate at the reporting date, assuming that all other variables remain constant, is presented below:

	Impact on profit before tax		Impact on equity*	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
2023				
Insurance contracts and reinsurance contracts held	(34,132)	40,141	(31,401)	36,930
2022				
Insurance contracts and reinsurance contracts held	(28,547)	32,783	(26,263)	30,160

* Impact on equity reflects adjustments for tax, when applicable.

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.3 Other price risk

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

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

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

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

Change in Variable		<-----Impact on equity----->	
		2023 RM'000	2022 RM'000
NAV/unit	+10%	77,831	70,143
NAV/unit	- 10%	<u>(77,831)</u>	<u>(70,143)</u>

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.4 Operational risk

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

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

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

27.7 Fair value information

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

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2022: no transfer in either directions).

Level 3 fair value

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

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27. Financial instruments (continued)

27.7 Fair value information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2023										
Financial assets										
Mandatory at fair value through profit or loss	778,308	-	-	778,308	-	-	-	-	778,308	778,308
Amortised cost	-	-	-	-	-	21,224	-	21,224	21,224	20,998
	<u>778,308</u>	<u>-</u>	<u>-</u>	<u>778,308</u>	<u>-</u>	<u>21,224</u>	<u>-</u>	<u>21,224</u>	<u>799,532</u>	<u>799,306</u>
2022										
Financial assets										
Available-for-sale investments	701,426	-	-	701,426	-	-	-	-	701,426	701,426
Held-to-maturity investments	-	-	-	-	-	22,469	-	22,469	22,469	21,498
	<u>701,426</u>	<u>-</u>	<u>-</u>	<u>701,426</u>	<u>-</u>	<u>22,469</u>	<u>-</u>	<u>22,469</u>	<u>723,895</u>	<u>722,924</u>

28. Regulatory capital requirements

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

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

The total capital available of the Company as at 31 December 2023, as defined under the RBC Framework is provided below:

	2023 RM'000	2022 RM'000
Tier 1 capital		
Share capital (paid up)	51,000	51,000
Retained profits as prescribed under the RBC Framework	<u>448,917</u>	<u>426,938</u>
	<u>499,917</u>	<u>477,938</u>
Tier 2 capital		
Eligible reserves as prescribed under the RBC Framework	<u>-</u>	<u>225</u>
Amounts deducted from capital	<u>-</u>	<u>(163)</u>
Total capital available	<u>499,917</u>	<u>478,000</u>

29. Reinsurance funds

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

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

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

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29. Reinsurance funds (continued)**Statement of Financial Position by Funds as at 31 December 2023**

	Shareholders' Fund			Life Fund			Retakaful Operator's Fund			Total		
	Restated 31.12.2023	Restated 31.12.2022	Restated 01.01.2022	Restated 31.12.2023	Restated 31.12.2022	Restated 01.01.2022	Restated 31.12.2023	Restated 31.12.2022	Restated 01.01.2022	Restated 31.12.2023	Restated 31.12.2022	Restated 01.01.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets												
Plant and equipment	-	-	-	525	730	1,002	-	-	-	525	730	1,002
Intangible assets	-	-	-	3,249	3,575	3,846	-	-	-	3,249	3,575	3,846
Right-of-use assets	-	-	-	906	885	190	-	-	-	906	885	190
Financial assets – Investments	254,174	224,390	174,501	545,132	498,534	461,805	-	-	-	799,306	722,924	636,306
Insurance contract assets	-	-	-	20,120	87,314	152,909	-	-	-	20,120	87,314	152,909
Reinsurance contract assets	-	-	-	29,599	11,749	8,010	-	-	-	29,599	11,749	8,010
Receivables	116	116	10,116	1,590	1,528	35,812	107	-	-	1,813	1,644	45,928
Current tax assets	8,704	6,165	5,570	-	-	(196)	-	-	-	8,704	6,165	5,374
Cash and cash equivalents	565	199	4	9,001	35,160	188	19,932	-	-	29,498	35,359	192
Amount due from/(to) shareholders' fund/life fund/retakaful operator's fund	237,765	246,614	227,484	(217,036)	(246,614)	(227,484)	(20,729)	-	-	-	-	-
Total assets	501,324	477,484	417,675	393,086	392,861	436,082	(690)	-	-	893,720	870,345	853,757
Total equity	475,871	453,474	394,448	312,736	302,676	334,851	(973)	-	-	787,634	756,150	729,299
Insurance contract liabilities	-	-	-	59,414	54,461	31,123	-	-	-	59,414	54,461	31,123
Reinsurance contract liabilities	-	-	-	9,980	15,251	51,342	-	-	-	9,980	15,251	51,342
Deferred tax liabilities	25,453	24,010	23,227	-	-	-	-	-	-	25,453	24,010	23,227
Lease liabilities	-	-	-	911	939	205	-	-	-	911	939	205
Other payables	-	-	-	10,045	19,534	18,561	283	-	-	10,328	19,534	18,561
Total liabilities	25,453	24,010	23,227	80,350	90,185	101,231	283	-	-	106,086	114,195	124,458
Total equity	501,324	477,484	417,675	393,086	392,861	436,082	(690)	-	-	893,720	870,345	853,757

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29. Reinsurance funds (continued)**Profit or Loss by Funds for the year ended 31 December 2023**

	Shareholders' Fund		Life Fund		Retakaful Operator's Fund		Total	
	Restated		Restated				Restated	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Operating revenue	-	-	598,247	516,794	-	-	598,247	516,794
Insurance revenue	-	-	570,071	516,434	-	-	570,071	516,434
Insurance service expenses	-	-	(561,620)	(487,835)	-	-	(561,620)	(487,835)
Net (expenses)/income from reinsurance contracts held	-	-	(8,858)	3,591	-	-	(8,858)	3,591
Insurance service result	-	-	(407)	32,190	-	-	(407)	32,190
Investment income	7,681	232	20,318	118	177	-	28,176	350
Net fair value gains	5,342	-	3,002	-	-	-	8,344	-
Investment return	13,023	232	23,320	118	177	-	36,520	350
Net finance income from insurance contracts	-	-	29,102	9,380	-	-	29,102	9,380
Net finance expense from reinsurance contracts held	-	-	(10,007)	(4,306)	-	-	(10,007)	(4,306)
Net financial result	13,023	232	42,415	5,192	177	-	55,615	5,424
Other operating income	-	-	2,193	1,958	-	-	2,193	1,958
Management expenses	(1)	(1)	(6)	(7)	(1,150)	-	(1,157)	(8)
	13,022	231	44,195	39,333	(973)	-	56,244	39,564
Transfer from Revenue Account	33,619	80,621	(33,619)	(80,621)	-	-	-	-
Profit/(Loss) before tax	46,641	80,852	10,576	(41,288)	(973)	-	56,244	39,564
Tax expense	(2,827)	(3,452)	-	-	-	-	(2,827)	(3,452)
Profit/(Loss) for the year	43,814	77,400	10,576	(41,288)	(973)	-	53,417	36,112

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29. Reinsurance funds (continued)

Cash flows by Funds for the year ended 31 December 2023

	Shareholders' Fund		Life Fund		Retakaful Operator's Fund		Total	
	Restated		Restated				Restated	
	2023	2022	2023	2022	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows (used in)/generated from:								
Operating activities	(29,785)	(40,573)	27,065	97,531	19,932	-	17,215	56,958
Investing activities	-	-	(319)	(152)	-	-	(319)	(152)
Financing activities	30,151	40,768	(52,905)	(62,407)	-	-	(22,754)	(21,639)
Net increase/(decrease) in cash and cash equivalents	366	195	(26,159)	34,972	19,932	-	(5,861)	35,167
Cash and cash equivalents at beginning of year	199	4	35,160	188	-	-	35,359	192
Cash and cash equivalents at end of year	565	199	9,001	35,160	19,932	-	29,498	35,359

Malaysian Life Reinsurance Group Berhad

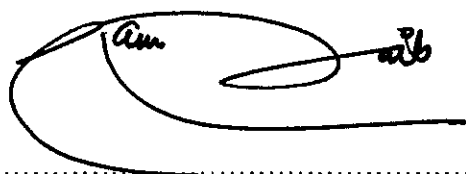
(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

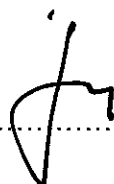
Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 22 to 104 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the year then ended.

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



.....
Datuk Kamaruddin Taib
Director



.....
Toi See Jong
Director

Kuala Lumpur,

Date: 19 April 2024

Malaysian Life Reinsurance Group Berhad

(Company No. 199701002371 (417867-K))

(Incorporated in Malaysia)

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

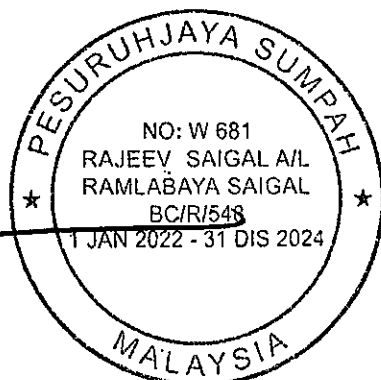
I, **Patrick Cheah Gim Guan**, the Officer primarily responsible for the financial management of Malaysian Life Reinsurance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 104 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Patrick Cheah Gim Guan, NRIC: 761111-14-5189, in Kuala Lumpur in the Federal Territory on 19 April 2024.



.....
Patrick Cheah Gim Guan

Before me:



NO. A-31-11, LEVEL 31,
TOWER A, MENARA UOA BANGSAR,
NO. 5, JALAN BANGSAR UTAMA 1,
BANGSAR, 59000 KUALA LUMPUR



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
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47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALAYSIAN LIFE REINSURANCE GROUP BERHAD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Life Reinsurance Group Berhad ("the Company"), which comprise the statement of financial position as at 31 December 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 22 to 104.

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, IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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



Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and the statement of the Shariah Advisory Board and, in doing so, consider whether the Directors' Report and the statement of the Shariah Advisory Board are materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report and the statement of the Shariah Advisory Board, 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, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other Matters

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

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

Petaling Jaya, Selangor

Date: 19 April 2024

Foo Siak Chung
Approval Number: 03184/02/2026 J
Chartered Accountant