

Company No. 200701004295 (762294 - T)

**ASIA CAPITAL REINSURANCE  
MALAYSIA SDN. BHD.**

Company No. 200701004295 (762294 - T)  
(Incorporated in Malaysia)

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(In Ringgit Malaysia)**

Company No. 200701004295 (762294 - T)

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

**FINANCIAL STATEMENTS**

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Company No. 200701004295 (762294 - T)

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

**REPORT OF THE DIRECTORS**

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

**PRINCIPAL ACTIVITIES**

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

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

**RESULTS OF OPERATIONS**

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

	<b>RM'000</b>
Profit before tax	12,227
Tax expense	<u>(3,195)</u>
Profit for the year	<u><u>9,032</u></u>

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

**DIVIDEND**

A single tier final dividend of 40 sen per ordinary share, amounting to RM60,000,000 was declared on 23 March 2022 and paid on 15 August 2022 in respect of the financial year ended 31 December 2021.

The Directors proposed a declaration of a single tier final dividend amounting to RM24,500,000 on 20 March 2023 in respect of the financial year ended 31 December 2022, subject to the written approval from Bank Negara Malaysia, and has not been included as liability in the financial statements for the financial year ended 31 December 2022.

## **RESERVES AND PROVISIONS**

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

## **ISSUE OF SHARES AND DEBENTURES**

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

## **SHARE OPTIONS**

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

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

## **INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS**

During the financial year, the sum insured of the insurance for indemnity covered for the Directors and Officers under Catalina Holdings (Bermuda) Master D&O Insurance program is USD50 million (approximately RM220 million) including branches, subsidiaries and all related companies. The Company does not extend the cover to the auditors.

## **PROVISION FOR INSURANCE LIABILITIES**

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

## **OTHER STATUTORY INFORMATION**

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there are no known bad debts need to be written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.

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

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

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

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

## **DIRECTORS**

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

Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir  
Datuk Mohd Najib Bin Hj. Abdullah  
Loh Wei Lyn (Appointed w.e.f 20 June 2022)  
Martin Andreas Kauer (Resigned w.e.f 15 May 2022)

## **DIRECTORS' INTERESTS IN SHARES**

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

## **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors amounting to RM267,000) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

## BOARD OF DIRECTORS

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

### 1. Board of Directors Meeting

Name	Attendance
<b><u>Non-Independent Executive Directors</u></b>	
Loh Wei-Lyn (Appointed w.e.f 20 June 2022)	2/2
Martin Andreas Kauer (Resigned w.e.f 15 May 2022)	1/1
<b><u>Independent Non-Executive Directors</u></b>	
Datuk Dr. Syed Muhamad Bin Syed Abdul Kadir (Chairman)	3/3
Datuk Mohd Najib Bin Hj. Abdullah	3/3

### 2. Audit Committee Meeting

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

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

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

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

## **PROFILE OF DIRECTORS**

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

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

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

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

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

Datuk Dr. Syed Muhammad was Chairman of Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad.

Datuk Dr. Syed Muhammad is also a Director of Malakoff Corporation Berhad, Export-Import Bank of Malaysia Berhad, Solution Engineering Holdings Berhad and EVD Berhad.

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



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

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

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

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

**Loh Wei-Lyn (Appointed w.e.f 20 June 2022)**  
**Non-Independent Executive Director**

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

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

**Martin Andreas Kauer (Resigned w.e.f 15 May 2022)**  
**Non-Independent Executive Director**

Mr Martin Andreas Kauer (“Mr Kauer”) was the Chief Executive Officer and Executive Director of Asia Capital Reinsurance Group Ptd. Ltd., Singapore. He was also a board member of ACRR Sendirian Berhad.

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

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

## **Trainings attended**

The following are the trainings attended by the Directors:

- Corporate Strategic Plan FY2023/2024- Board Challenge Session
- Environmental, Social, Governance (“ESG”) and Sustainability
- Khazanah Megatrends Forum 2022
- Cyber Security Awareness Training
- Engagement with CEOs/Chairmen of Insurance Companies/Takaful Operators and Insurance/Takaful Associations on of BNM's Annual Report 2021, Economic & Monetary Review 2021, and Financial Stability Review Second Half 2021
- BNM-FIDE Forum Dialogue: on Licensing Framework for Digital Insurers and Takaful Operators
- Masterclass on “Fostering Market Dynamism: Advance the Development of Open Data Ecosystem and Potential Shared Data Infrastructures”
- Sustainable Investing : ESG at the Forefront
- Directors’ Training Program on Investment
- How to Transition Towards a Sustainable World
- Lessons from the Fast Lane
- Climate: 2C Or Not 2C
- Global Macro Economics Landscape & Trends
- Directors’ Training Program on IFRS17 – Performance Reporting & Actuarial Framework
- A Passion for Purpose: Delivering a Just Transition to Net Zero
- Responsible Banking in a Global Inflationary Climate
- Why Responsible Banking Values Matter?
- Inflation, Looming Recession & Climate Change: A Tricky Balancing Act?
- Decarbonised Economy: Accelerating the Net Zero Transition
- Certificate of Value Investing

## **Statement on corporate governance and internal controls**

### ***(i) Board responsibilities***

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

The duties and responsibilities of the Board are as follows:

- (i) Approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company’s risk profile;

- (ii) Oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- (iii) Oversee the implementation of the Company’s governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company’s operations;
- (iv) Promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (v) Promote sustainability through appropriate environmental, social and governance considerations in the Company’s business strategies;
- (vi) Oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (vii) Promote timely and effective communication between the Company and the BNM on matters affecting or that may affect the safety and soundness of the Company.

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

#### **Audit Committee**

The Audit Committee (“AC”), comprising non-executive and independent members of the Board, meets regularly and a total of three (3) meetings were held during the financial year ended 31 December 2022. AC reviews the annual audited financial statements of the Company which is then tabled to the Board for approval. The activities of the AC are governed by its Terms of Reference that are approved by the Board.

The duties and responsibilities of the AC are as follows:

- (i) To review and report the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its works;
- (ii) To review the results of the Company’s internal audit procedures and the adequacy of actions taken by the management based on the reports;

- (iii) To ensure that the external auditors fulfil the minimum qualification criteria set by BNM and make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditors (including their remuneration, terms of engagement and scope of the external audit);
- (iv) To review the external and internal audit plans; and assess the effectiveness of the audit process, discuss with the external and internal auditors the findings of their work and any major issue that arose during the course of the audit or any other matters which the auditors may wish to discuss;
- (v) To review and approve non-audit services rendered by the external auditors;
- (vi) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval;
- (vii) To review the adequacy and effectiveness of risk management and internal control systems instituted within the Company;
- (viii) To review any related party transactions and conflicts of interest situations that may arise within the Company;
- (ix) To perform any other functions as may be agreed by the AC and the Board of Directors.

(ii) ***Management accountability***

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

(iii) ***Corporate independence***

All material related party transactions have been disclosed in Note 28 to the financial statements.

(iii) ***Risk management framework***

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

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

- Business units and operation team: the first line of defence – Primarily responsible for risk identification and management;
- Independent risk management and compliance functions: the second line of defence – Support for and challenge on the completeness and accuracy of risk assessment, risk reporting and adequacy of mitigation plans are performed;
- Internal audit function: the third line of defence – Independent and objective assurance on the robustness of the risk management framework and the appropriateness and effectiveness of internal control is provided;
- Management and CEO: the fourth line of defence – Establish clear guidance on business and risk strategy and ensure effective risk controls; and
- Board Risk assessment: the fifth line of defence – Provide effective oversight to ensure consistency with risk strategy and policies and leading the tone-at-the-top to ensure sound control environment.

(v) ***Financial reporting***

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

vi) ***Public accountability***

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

### **Remuneration policy**

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

- (a) the management has conducted a limited survey on the fees for Non-Executive Directors paid by other insurance and reinsurance companies of Malaysia. The information obtained is used as a guide for the Board to determine the fees payable to the Company's Non-Executive Directors.
- (b) the management had used the an annual salary benchmarking information provided by Asia Capital Reinsurance Group Pte Ltd, the immediate holding company's Human Resource department ("HR") to guide the annual salary levels and increments appropriate for the Company's employees.

### **Remuneration Structure**

#### **Salary**

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

#### **Employees Benefits**

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

#### **Performance Bonus**

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

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

### **Performance measures and the link to strategy**

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

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

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

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

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

### **Material Risk Takers**

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

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

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

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

<b>Table A</b>		
<b>Total value of remuneration awards for the financial year</b>	<b>Unrestricted</b>	<b>Deferred</b>
	<b>RM</b>	<b>RM</b>
<b>Fixed remuneration</b>		
• Cash-based	1,003,814	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil
<b>Variable remuneration</b>		
• Cash-based	245,761	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil

#### **IMMEDIATE HOLDING AND ULTIMATE HOLDING COMPANIES**

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



Company No. 200701004295 (762294 - T)

## AUDITORS

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

## AUDITORS' REMUNERATION

The amount paid or payable as remuneration of the auditors for the financial year ended 31 December 2022 is RM250,000.

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



**DATUK DR. SYED MUHAMAD**  
**BIN SYED ABDUL KADIR**



**DATUK MOHD NAJIB**  
**BIN HJ. ABDULLAH**

Kuala Lumpur,

28 MAR 2023



Deloitte PLT (LLP0010145-LCA)  
Chartered Accountants (AF0080)  
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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.**

(Incorporated in Malaysia)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.**, which comprise the statement of financial position of the Company as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 102.

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

#### **Basis for Opinion**

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

#### ***Independence and Other Ethical Responsibilities***

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

(Forward)

### **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

If, based on the work performed, we conclude that there is a material misstatement of this Report of the Directors, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

(Forward)

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

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

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

(Forward)

Company No. 200701004295 (762294 - T)

**Other Matter**

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



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



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

Kuala Lumpur,  
28 March 2023

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

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 RM'000	2021 RM'000
<b>Assets</b>			
Property and equipment	5	8,132	8,117
Right-of-use assets		14	36
Investment properties	6	24,660	24,660
Investments	7	67,828	169,373
Reinsurance assets	8	55,680	105,442
Insurance receivables	9	39,474	45,237
Other receivables and prepayments	10	800	1,853
Deferred acquisition costs	11	3	18
Tax recoverable		2,004	-
Cash and cash equivalents	12	67,852	40,176
<b>Total assets</b>		<u>266,447</u>	<u>394,912</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	13	125,000	125,000
Reserves	13	26,616	78,587
<b>Total equity</b>		<u>151,616</u>	<u>203,587</u>
<b>Liabilities</b>			
Insurance contract liabilities	15	99,583	174,681
Lease liabilities		14	36
Insurance payables	16	6,477	4,834
Other payables and accruals	17	7,484	5,629
Tax liabilities		-	4,956
Deferred tax liabilities	18	1,273	1,189
<b>Total liabilities</b>		<u>114,831</u>	<u>191,325</u>
<b>Total equity and liabilities</b>		<u>266,447</u>	<u>394,912</u>

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

**ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.**

(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 RM'000	2021 RM'000
<b>Operating revenue</b>	19	<u>7,307</u>	<u>17,859</u>
Gross earned premiums	20(a),15(b)	1,056	16,872
Premiums ceded to reinsurers	20(b),15(b)	<u>(674)</u>	<u>(12,040)</u>
<b>Net earned premiums</b>	20	<u>382</u>	<u>4,832</u>
Investment income	21	6,713	7,168
Net realised (loss)/gain on available-for-sale financial assets	22	(1,846)	1,503
Commission income	23	463	1,354
Other operating income	25	<u>2,295</u>	<u>2,870</u>
<b>Other revenue</b>		<u>7,625</u>	<u>12,895</u>
Gross benefits and claims paid		(32,847)	(47,614)
Claims ceded to reinsurers		21,918	55,358
Change in gross contract liabilities		74,636	88,436
Change in contract liabilities ceded to reinsurers		<u>(49,441)</u>	<u>(63,859)</u>
<b>Net claims incurred</b>		<u>14,266</u>	<u>32,321</u>
Commission expenses	23	(1,581)	(4,072)
Fair value loss	24	-	(290)
Management expenses	26	<u>(8,465)</u>	<u>(7,171)</u>
<b>Other expenses</b>		<u>(10,046)</u>	<u>(11,533)</u>
<b>Profit before tax</b>		12,227	38,515
Tax expense	27	<u>(3,195)</u>	<u>(10,912)</u>
<b>Profit for the year</b>		<u>9,032</u>	<u>27,603</u>
<b>Profit for the year, attributable to equity holders of Company</b>		<u>9,032</u>	<u>27,603</u>

(Forward)

	Note	2022 RM'000	2021 RM'000
<b>Profit for the year</b>		<u>9,032</u>	<u>27,603</u>
<b>Other comprehensive income/(loss):</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
- Surplus on property revaluation		216	88
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value of available-for-sale financial assets			
- Loss arising during the year		(3,220)	(3,971)
- Reclassification adjustments for loss/(gain) included in profit or loss		1,846	(1,503)
	7(b)	<u>(1,374)</u>	<u>(5,474)</u>
		(1,158)	(5,386)
<b>Tax effect thereon:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
- Surplus on property revaluation		(52)	(21)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Fair value of available-for-sale financial assets			
- Loss arising during the year		773	953
- Reclassification adjustments for gains included in profit or loss		(443)	361
- Over recognition of deferred tax in prior years		(123)	-
		<u>207</u>	<u>1,314</u>
<b>Total other comprehensive loss for the year, net of tax</b>		<u>(1,003)</u>	<u>(4,093)</u>
<b>Total comprehensive income for the year attributable to equity holders of Company</b>		<u>8,029</u>	<u>23,510</u>

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



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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>-----Non-Distributable-----</i>			<b>Distributable</b>	
	<b>Share capital RM'000</b>	<b>Property revaluation reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>reserve - Retained earnings RM'000</b>	<b>Total equity RM'000</b>
<b>As at 1 January 2021</b>	275,000	2,321	4,819	47,937	330,077
Profit for the year	-	-	-	27,603	27,603
Other comprehensive income/(loss):					
Fair value of available-for-sale financial assets:					
Loss arising during the year	-	-	(3,018)	-	(3,018)
Reclassification adjustments for gain included in profit or loss	-	-	(1,142)	-	(1,142)
Surplus on property revaluation	-	67	-	-	67
Total comprehensive income/(loss) for the year	-	67	(4,160)	27,603	23,510
Reduction of share capital (Note 13)	(150,000)	-	-	-	(150,000)
<b>As at 31 December 2021</b>	125,000	2,388	659	75,540	203,587
(Forward)	Note 13	Note 13	Note 13	Note 13	

-----Non-Distributable-----

	Share capital RM'000	Property revaluation reserve RM'000	Fair value reserve RM'000	Distributable reserve - Retained earnings RM'000	Total equity RM'000
<b>As at 1 January 2022</b>	125,000	2,388	659	75,540	203,587
Profit for the year	-	-	-	9,032	9,032
Other comprehensive income/(loss):					
Fair value of available-for-sale financial assets:	-	-	(2,570)	-	(2,570)
Loss arising during the year	-	-	1,403	-	1,403
Reclassification adjustments for loss included in profit or loss	-	164	-	-	164
Surplus on property revaluation	-	164	(1,167)	9,032	8,029
Total comprehensive income/(loss) for the year	-	-	-	(60,000)	(60,000)
Dividends (Note 14)	-	-	-	-	-
<b>As at 31 December 2022</b>	125,000	2,552	(508)	24,572	151,616
	Note 13	Note 13	Note 13	Note 13	

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

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit before tax	12,227	38,515
Adjustments for:		
Depreciation of right-of-use-assets	22	21
Depreciation of property and equipment	223	216
Gain on disposal of investment properties	-	(608)
Investment income	(6,724)	(6,947)
Loss on disposal of investments, net	(1,846)	(1,503)
Accretion of discounts	(81)	(174)
Amortisation of premiums	491	570
Fair value loss on investment properties	-	290
Unrealised gain on foreign exchange for investments	-	(566)
Bad debts (recovered)/written off	(93)	112
Impairment loss of insurance receivables no longer required	(107)	(77)
Operating Profit Before Changes in Working Capital	4,112	29,849
Purchase of securities/investments	(13,729)	(83,569)
Proceeds from disposal of securities/investments	115,336	82,910
Decrease in reinsurance assets	49,762	67,982
Decrease in deferred acquisition costs	15	397
Decrease/(Increase) in receivables	6,077	(1,977)
Decrease in insurance contract liabilities	(75,098)	(94,617)
Decrease in payables	3,498	(14,115)
Cash Generated From/(Used In) Operations	89,973	(13,140)
Tax paid	(9,916)	(9,156)
Interest received	7,663	6,989
Net Cash From/(Used In) Operating Activities	87,720	(15,307)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(22)	(10)
Proceeds from disposal of investment properties	-	5,808
Net Cash (Used In)/From Investing Activities	(22)	5,798

(Forward)

	Note	2022 RM'000	2021 RM'000
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>			
Payment of lease liabilities		(22)	(21)
Repayment to immediate holding company from reduction of share capital		-	(150,000)
Payment of dividends		(60,000)	-
Net Cash Used In Financing Activities		(60,022)	(150,021)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		27,676	(159,530)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		40,176	199,706
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
	12	67,852	40,176
<b>Reconciliation Of Movements In Lease Liabilities To Cash Flows</b>			
<b>Amounts recognised in statement of cash flows</b>			
		2022 RM'000	2021 RM'000
<b>Included in net cash used in financing activities:</b>			
Payment of lease liabilities		22	21
<b>Total cash outflows for leases</b>		22	21

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1. GENERAL INFORMATION**

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

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

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

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

The financial statements have been authorised by the Board of Directors and approved for issuance on 28 March 2023.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

**Adoption of Amendments to MFRSs**

In the current financial year, the Company has adopted all the Amendments to MFRSs issued by the Malaysian Accounting Standard Board ("MASB") and effective for an annual financial periods beginning on or after 1 January 2022 as follows:

Amendments to MFRS 3	References to the Conceptual Framework
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use

(Forward)

Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018 - 2020

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

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

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

MFRS 17	Insurance Contracts <sup>1</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to MFRS 16	Lease Liability from a Sale and Leaseback <sup>2</sup>
Amendments to MFRS 17	Insurance Contracts <sup>1</sup>
Amendments to MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information <sup>1</sup>
Amendments to MFRS 101	Classification of Liabilities as Current and Non-Current <sup>2</sup>
Amendments to MFRS 101	Disclosure of Accounting Policies <sup>1</sup>
Amendments to MFRS 101	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to MFRS 108	Disclosure of Accounting Estimates <sup>1</sup>
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective date deferred to a date to be determined and announced by MASB.

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

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

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

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

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

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

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

The Company has not adopted any version of MFRS 9 as of the date of these financial statements and its carrying amount of an entity's liabilities arising from contracts within MFRS 4's scope is significant. The Company has performed the reassessment and it qualifies for the temporary exemption from MFRS 9 under the Amendments to MFRS 4. The percentage of the total carrying amount of its liabilities as of 31 December 2022 is 86.7%.

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

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

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

### **MFRS 17 Insurance Contracts**

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

The key principles in MFRS 17 are that an entity:

- Identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
- Identifies portfolio of insurance, which comprises contracts that are subject to similar risks and managed together.
- Recognises and measures groups of insurance contracts at:
  - (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and
  - (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin).
- Recognises the profit from the group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately.
- Presents separately insurance revenue, insurance service expenses and insurance finance income or expenses.



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

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

The directors anticipate the initial application of MFRS 17 will result in changes to the accounting policies relating to insurance contracts. Additional disclosures will also be made with respect of insurance contracts, including any significant judgement and estimation made. The expected changes to the financial statements with regards to the general reinsurance contracts issued by the Company are as follows:

Changes from MFRS 4	Expected Impact on equity on transition to MFRS 17
Under MFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Company does not currently discount such future cash flows.	Increase
MFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently.	Decrease
The Company's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs.	Decrease

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

- identify, recognise and measure each of the Company's reinsurance contracts issued and reinsurance contracts held as if MFRS 17 had always been applied;

- identify, recognise and measure any assets for insurance acquisition cash flows as if MFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if MFRS 17 had always been applied (including some deferred acquisition costs); and
- recognise any resulting net difference in equity.

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

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the 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.

Majority of the groups of reinsurance contracts of the Company will apply the full retrospective approach at transition. The fair value approach will be applied on the reinsurance contracts inception for the underwriting year of 2017 and prior, where the historical models were not available.

MFRS 17 results is subject to developments in market practice or any additional interpretative guidance issued and therefore the impacts discussed above are subject to changes prior to finalisation of the Company's financial statements for the financial year ending 31 December 2023.

### 3. **SIGNIFICANT ACCOUNTING POLICIES**

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

#### (a) **Basis of accounting**

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

**(b) Foreign currency**

**(i) Functional and presentation currency**

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

**(ii) Foreign currency transactions**

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

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

**(c) Property and equipment**

**(i) Recognition and measurement**

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

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

(ii) **Subsequent costs**

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

(iii) **Depreciation**

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

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

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

Buildings	50 years
Computer equipment	3 years
Office equipment	3 years
Furniture and fittings	3 years
Renovation	3 years

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

(d) **Leases**

(i) **Definition of lease**

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

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

**(ii) Recognition and initial measurement**

**(a) As a lessee**

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

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

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

**(b) As a lessor**

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

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

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

**(iii) Subsequent measurement**

**(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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

**(b) As a lessor**

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

**(e) Investment properties**

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

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

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

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

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

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

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

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

(f) **Financial instruments**

(i) **Initial recognition and measurement**

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

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

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

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

The Company categorises financial instruments as follows:

**Financial assets**

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

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

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

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

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



Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

*(c) Insurance receivables*

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

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

All financial assets are subject to review for impairment (see Note 3(f)(i) and (ii)).

**Financial liabilities**

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

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

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

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

(iii) **Regular way purchase or sale of financial assets**

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

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

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

(iv) **Derecognition**

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(g) Impairment**

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

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

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

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

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

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

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

(ii) **Insurance receivables**

Insurance receivables are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

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

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

(iii) **Other assets**

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

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

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro-rata* basis.

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

**(h) Product classification**

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

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

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

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

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

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

**(i) Reinsurance**

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

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

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

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

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

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

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

**(j) General insurance underwriting results**

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

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

**(i) Facultative business**

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

**(ii) Treaty business**

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

**Provision for Unearned Premiums**

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

**Unearned Premium Reserves**

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

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

Malaysian and Non-Malaysian Business – method prescribed by BNM

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

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

- (i) the premium ceded to foreign reinsurers as required under the guidelines issued by BNM; and
- (ii) the deposits retained from foreign reinsurers for which premiums are accounted during the preceding twelve months.

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

**Unexpired Risk Reserves**

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

(k) **Insurance contract liabilities**

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



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

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

**(l) Acquisition cost and deferred acquisition costs (“DAC”)**

The cost of acquiring and renewing reinsurance policies net of income derived from retroceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or retroceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

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

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

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

**(m) Other income recognition**

**(i) Interest income**

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

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

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

**(n) Employee benefits**

**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

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

**(ii) State plans**

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

**(o) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(p) **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) **Income tax**

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

**(r) Fair value measurements**

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

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

**(i) Claims and premiums liabilities**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Please refer to the details in Notes 5 and 6 respectively.

(iii) **Recoverability of insurance receivables**

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

5. PROPERTY AND EQUIPMENT

<i>Cost/Valuation</i>	Buildings RM'000	Computer equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Total RM'000
As at 1 January 2021	8,250	1,302	215	259	368	10,394
Addition	-	10	-	-	-	10
Revaluation of property	(125)	-	-	-	-	(125)
As at 31 December 2021/1 January 2022	8,125	1,312	215	259	368	10,279
Addition	-	19	3	-	-	22
Write-off	-	(20)	-	-	-	(20)
As at 31 December 2022	8,125	1,311	218	259	368	10,281

(Forward)



**Accumulated depreciation**

As at 1 January 2021

Charge for the year

Revaluation of property

As at 31 December 2021/1 January 2022

Charge for the year

Revaluation of property

Write-off

As at 31 December 2022

**Net book value**

As at 31 December 2021

As at 31 December 2022

As at 31 December 2022, included in the property, plant and equipment are fully depreciated assets which are still in use with costs of RM2,123,000 (2021: RM2,143,000).

	Buildings RM'000	Computer equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Renovation RM'000	Total RM'000
	18	1,300	214	259	368	2,159
	213	3	-	-	-	216
	(213)	-	-	-	-	(213)
	18	1,303	214	259	368	2,162
	216	6	1	-	-	223
	(216)	-	-	-	-	(216)
	-	(20)	-	-	-	(20)
	18	1,289	215	259	368	2,149
	8,107	9	1	-	-	8,117
	8,107	22	3	-	-	8,132

Buildings comprise the office premises located in Kuala Lumpur, Malaysia, and the Company has engaged VPC Alliance (KL) Sdn. Bhd., a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued, to perform a valuation update of the Company's buildings on 16 December 2022. The revalued amounts are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeable, prudently and without compulsion.

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

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Buildings	<u>4,972</u>	<u>5,107</u>

#### **Fair value information**

Fair value of buildings is categorised as follows:

	<b>Level 2</b>	
	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Buildings	<u>8,125</u>	<u>8,125</u>

#### **6. INVESTMENT PROPERTIES**

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
As at 1 January	24,660	30,150
Change in fair value (Note 24)	-	(290)
Disposal	<u>-</u>	<u>(5,200)</u>
As at 31 December	<u>24,660</u>	<u>24,660</u>

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

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

	2022 RM'000	2021 RM'000
Lease income (Note 21)	1,089	1,324
Direct operating expenses (Note 21)	(473)	(310)
Fair value loss (Note 24)	-	(290)

#### **Fair value information**

Fair value of investment properties is categorised as follows:

	Level 2	
	2022 RM'000	2021 RM'000
Buildings	24,660	24,660

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

## **7. INVESTMENTS**

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

	2022 RM'000	2021 RM'000
<b>Unquoted in Malaysia</b>		
Corporate debt securities	67,828	160,961
<b>Unquoted outside Malaysia</b>		
Corporate debt securities	-	8,412
	<u>67,828</u>	<u>169,373</u>

(a) **Estimation of fair values**

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

(b) **Carrying values of investments**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
As at 1 January	169,373	172,515
Additions	13,729	83,569
Disposals/Maturities/Repayments	(113,490)	(81,407)
Fair value loss recognised in other comprehensive income	(1,374)	(5,474)
Unrealised gain on foreign exchange	-	566
Amortisation of premiums (Note 21)	(491)	(570)
Accretion of discounts (Note 21)	81	174
As at 31 December	<u>67,828</u>	<u>169,373</u>

8. **REINSURANCE ASSETS**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Reinsurance of insurance contracts :		
Claims liabilities (Note 15(a))	55,653	105,094
Premium liabilities (Note 15(b))	<u>27</u>	<u>348</u>
	<u>55,680</u>	<u>105,442</u>

9. **INSURANCE RECEIVABLES**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Amount due from cedants	262	1,116
Amount due from retrocessionaires	24,421	29,422
Amount due from immediate holding company	<u>14,859</u>	<u>14,845</u>
	39,542	45,383
Premium reserve deposits due from cedants	<u>62</u>	<u>91</u>
	39,604	45,474
Less: Provision for impairment loss (Note 31(c)(i))	<u>(130)</u>	<u>(237)</u>
Net	<u>39,474</u>	<u>45,237</u>

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

The credit period granted to the cedants and retrocessionaires is ranging from 60 to 90 days (2021: 60 to 90 days)

10. **OTHER RECEIVABLES AND PREPAYMENTS**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Accrued interest income	798	1,737
Other receivables	2	66
Prepayments	<u>-</u>	<u>50</u>
	<u>800</u>	<u>1,853</u>

11. **DEFERRED ACQUISITION COSTS**

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
<b>Gross of reinsurance</b>		
As at 1 January	114	1,202
Movement during the year (Note 23)	<u>(104)</u>	<u>(1,088)</u>
As at 31 December	<u>10</u>	<u>114</u>
<b>Reinsurance</b>		
As at 1 January	(96)	(787)
Movement during the year (Note 23)	<u>89</u>	<u>691</u>
As at 31 December	<u>(7)</u>	<u>(96)</u>
<b>Net of reinsurance</b>		
As at 1 January	18	415
Movement during the year	<u>(15)</u>	<u>(397)</u>
As at 31 December	<u>3</u>	<u>18</u>

12. **CASH AND CASH EQUIVALENTS**

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

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Cash and bank balances	22,976	32,679
Fixed deposits with licensed banks in Malaysia:		
Maturities of less than 3 months	<u>44,876</u>	<u>7,497</u>
	<u>67,852</u>	<u>40,176</u>

### 13. SHARE CAPITAL AND RESERVES

#### Share capital

	Amount 2022 RM'000	Number of shares 2022 '000	Amount 2021 RM'000	Number of shares 2021 '000
<b>Issued and fully paid shares with no par value classified as equity instruments:</b>				
Ordinary shares				
As at 1 January/31 December	<u>125,000</u>	<u>150,000</u>	<u>125,000</u>	<u>150,000</u>

On 25 January 2021, the Company completed a capital reduction exercise to reduce its issued and fully paid-up share capital from RM 275 million to RM 125 million by reducing and cancelling 150,000,000 class A Ordinary Share with par value of RM 1 each and returning RM 150 million to Asia Capital Reinsurance Group Pte Ltd., the sole shareholder of the Company and also its immediate holding company.

The remaining 50,000,000 units of class B Ordinary Shares with par value of RM 0.50 each remains unchanged.

#### Ordinary shares

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

#### Reserves

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

	2022 RM'000	2021 RM'000
Property revaluation reserve	2,552	2,388
Fair value reserve	(508)	659
Retained earnings	<u>24,572</u>	<u>75,540</u>
	<u>26,616</u>	<u>78,587</u>

***Property revaluation reserve***

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

***Fair value reserve***

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

***Retained earnings***

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

**14. DIVIDENDS**

	<b>2022</b> <b>RM'000</b>
Single-tier final dividend of 40 sen per ordinary share in respect of financial year ended 31 December 2021	<u>60,000</u>

The Directors proposed a declaration of a single tier final dividend amounting to RM24,500,000 on 20 March 2023 in respect of the financial year ended 31 December 2022, subject to the written approval from Bank Negara Malaysia, and has not been included as liability in the financial statements for the financial year ended 31 December 2022.



## 15. INSURANCE CONTRACT LIABILITIES

	Note	2022		2021	
		Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000
General reinsurance contracts		99,583	(55,680)	174,681	(105,442)
			43,903		69,239
The general insurance contract liabilities and its movements are further analysed as follows:					
Provision for reported claims		71,962	(41,813)	113,907	(68,826)
Provision for IBNR		27,566	(13,840)	60,257	(36,268)
			13,726		23,989
Provision for outstanding claims	15(a)	99,528	(55,653)	174,164	(105,094)
Provision for unearned premiums	15(b)	55	(27)	517	(348)
			28		169
		99,583	(55,680)	174,681	(105,442)
			43,903		69,239
			Note 8		Note 8

As at 31 December 2022, the remaining gross and net provision for outstanding claims for novated contracts from its related company, ACRR Sendirian Berhad ("ACRR") amounted to RM8,386,000 (2021: RM8,991,000) and RM7,978,000 (2021: RM8,538,000) respectively.

(a) **Provision for outstanding claims**

	← Gross RM'000	→ 2022 Reinsurance RM'000	→ Net RM'000	← Gross RM'000	→ 2021 Reinsurance RM'000	→ Net RM'000
As at 1 January	174,164	(105,094)	69,070	262,600	(168,953)	93,647
Adjustments to claims incurred in prior accident year	(29,274)	19,235	(10,039)	(25,177)	(1,937)	(27,114)
Movement in FPRAD of claims liabilities at 75% confidence level	(12,051)	8,288	(3,763)	(15,178)	10,438	(4,740)
Movement in claims handling expenses	(464)	-	(464)	(467)	-	(467)
Claims paid during the year	(32,847)	21,918	(10,929)	(47,614)	55,358	7,744
As at 31 December	99,528	(55,653)	43,875	174,164	(105,094)	69,070

(b) **Provision for unearned premiums**

	← Gross RM'000	→ 2022 Reinsurance RM'000	→ Net RM'000	← Gross RM'000	→ 2021 Reinsurance RM'000	→ Net RM'000
As at 1 January	517	(348)	169	6,698	(4,471)	2,227
Premium written during the year	594	(353)	241	10,691	(7,917)	2,774
Premium earned during the year	(1,056)	674	(382)	(16,872)	12,040	(4,832)
As at 31 December	55	(27)	28	517	(348)	169

**16. INSURANCE PAYABLES**

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Amount due to cedants	5,944	4,118
Amount due to retrocessionaires	<u>533</u>	<u>716</u>
	<u>6,477</u>	<u>4,834</u>

The credit period granted by the cedants and retrocessionaires is ranging from 60 to 90 days (2021: 60 to 90 days).

**17. OTHER PAYABLES AND ACCRUALS**

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Other payables	316	97
Amount due to immediate holding company	2,105	1,876
Accrued liabilities	1,959	1,555
Accrued restructuring expenses	<u>3,104</u>	<u>2,101</u>
	<u>7,484</u>	<u>5,629</u>

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

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

18. **DEFERRED TAX LIABILITIES**

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

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Deferred tax liabilities	<u>1,273</u>	<u>1,189</u>

Deferred tax assets and liabilities are attributable to the following:

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Deferred tax assets/(liabilities):		
Temporary differences arising from:		
Investment properties	(994)	(994)
Fair value reserve	-	(207)
Property revaluation reserve	(807)	(755)
Accrued liabilities	876	688
Others	<u>(348)</u>	<u>79</u>
Net deferred tax liabilities	<u>(1,273)</u>	<u>(1,189)</u>

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

	As at 1.1.2021 RM'000	Recognised in profit or loss (Note 27) RM'000	Recognised in other comprehensive income RM'000	As at 31.12.2021/ 1.1.2022 RM'000	Recognised in profit or loss (Note 27) RM'000	Recognised in other comprehensive income RM'000	As at 31.12.2022 RM'000
Investment properties	(1,064)	70	-	(994)	-	-	(994)
Fair value reserve	(1,521)	-	1,314	(207)	-	207	-
Property revaluation reserve	(734)	-	(21)	(755)	-	(52)	(807)
Accrued liabilities	735	(47)	-	688	188	-	876
Others	(407)	486	-	79	(427)	-	(348)
<b>Total</b>	<b>(2,991)</b>	<b>509</b>	<b>1,293</b>	<b>(1,189)</b>	<b>(239)</b>	<b>155</b>	<b>(1,273)</b>

19. **OPERATING REVENUE**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Gross premium written (Note 20)	594	10,691
Investment income (Note 21)	6,713	7,168
	<u>7,307</u>	<u>17,859</u>

20. **NET EARNED PREMIUMS**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
(a) <b>Gross premiums</b>		
Amount written	594	10,691
Change in unearned premiums provisions	462	6,181
	<u>1,056</u>	<u>16,872</u>
(b) <b>Premiums ceded</b>		
Amount ceded	(353)	(7,917)
Change in unearned premiums provisions	(321)	(4,123)
	<u>(674)</u>	<u>(12,040)</u>
<b>Net earned premiums (a + b)</b>	<u>382</u>	<u>4,832</u>

21. **INVESTMENT INCOME**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Lease income (Note 6)	1,089	1,324
Direct operating expenses on investment properties (Note 6)	(473)	(310)
Available-for-sale financial assets – interest income	6,184	6,935
Cash and cash equivalents – interest income	540	12
Accretion of discounts (Note 7(b))	81	174
Amortisation of premiums (Note 7(b))	(491)	(570)
Investment expenses	(217)	(397)
	<u>6,713</u>	<u>7,168</u>

**22. NET REALISED (LOSS)/GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Available-for-sale financial assets</b>		
Realised gains:		
Corporate debt securities – unquoted in Malaysia	546	1,514
Realised losses:		
Corporate debt securities – unquoted in Malaysia	<u>(2,392)</u>	<u>(11)</u>
Total net realised (losses)/gains for available-for-sale financial assets	<u>(1,846)</u>	<u>1,503</u>

**23. COMMISSION INCOME/(EXPENSES)**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
<b>Commission income</b>		
Reinsurance income	374	663
Movement in deferred acquisition costs (Note 11)	<u>89</u>	<u>691</u>
	<u>463</u>	<u>1,354</u>
<b>Commission expenses</b>		
Gross acquisition costs	(1,477)	(2,984)
Movement in deferred acquisition costs (Note 11)	<u>(104)</u>	<u>(1,088)</u>
	<u>(1,581)</u>	<u>(4,072)</u>

**24. FAIR VALUE LOSS**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Investment properties (Note 6)	<u>-</u>	<u>290</u>

25. **OTHER OPERATING INCOME**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Realised gain on foreign exchange	357	2,213
Unrealised gain on foreign exchange	1,845	49
Bad debt recoveries	93	-
Gain on disposal of investment properties	-	608
	<u>2,295</u>	<u>2,870</u>

26. **MANAGEMENT EXPENSES**

	<b>Note</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Staff salaries and related expenses	26(a)	3,647	3,050
Key management personnel remuneration	26(b)		
- Fees		255	264
- Other remuneration		526	711
Auditors' remuneration			
- Statutory audit		250	250
- Underprovision in prior year		11	-
Depreciation of property and equipment		223	216
Depreciation of right-of-use assets		22	21
Bad debts written off		-	112
Impairment loss of insurance receivables no longer required	31(c)(i)	(107)	(77)
Management fees to immediate holding company	28	2,120	1,826
Other expenses		<u>1,518</u>	<u>798</u>
Total management expenses		<u>8,465</u>	<u>7,171</u>



(a) **Employee benefits expenses**

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Wages and salaries	1,957	2,337
Staff retention cost	1,094	-
Social security contributions	35	15
Contribution to Employees' Provident Fund	186	342
Other benefits	375	356
	<u>3,647</u>	<u>3,050</u>

(b) **Key management personnel remuneration**

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

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

2021	Fees RM'000	Other emoluments			Total RM'000
		Salary RM'000	EPF RM'000	Other RM'000	
Chief Executive Officer					
- Tan Shih Ching					
(Appointed w.e.f. 1 November 2022)	-	60	7	-	67
- Raymond Wong Shu Yoon					
(Resigned w.e.f. 31 October 2022)	-	561	67	-	628
Directors					
- Datuk Dr. Syed Muhammad Bin Syed Abdul Kadir	132	-	-	8	140
- Datuk Mohd Najib Bin Hj. Abdullah	132	-	-	8	140
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	264	621	74	16	975

**27. TAX EXPENSE**

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Estimated tax payable:		
- Current year	2,774	9,468
- Underprovision in prior years	182	1,953
	2,956	11,421
Deferred tax in current year (Note 18):	239	(509)
	<u>3,195</u>	<u>10,912</u>

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

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Profit before tax	<u>12,227</u>	<u>38,515</u>
Tax at statutory tax rate of 24% (2021: 24%)	2,934	9,244
Tax effects in respect of:		
Non-deductible expenses	559	1,497
Non-taxable income	(480)	(1,782)
Underprovision of income tax in prior years	<u>182</u>	<u>1,953</u>
Tax expense for the year	<u>3,195</u>	<u>10,912</u>

**28. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS**

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

The related parties of the Company are:

(i) **Ultimate holding company**

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

(ii) **Immediate holding company**

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

(iii) **Related companies**

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

(iv) **Key management personnel**

Key management personnel include the Company's Executive and Non-Executive Directors and are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The Executive and Non-Executive Directors compensation is disclosed in Note 26(b).

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

<b>Transactions for the year ended 31 December</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Immediate holding company		
- Gross premium retroceded	(569)	(623)
- Commission income	242	507
- Claims recovery	15,618	44,782
- Gross premium accepted	19	7,217
- Commission expense	19	(490)
- Claims paid	(4,300)	(10,179)
- Resources sharing expense recovered/(paid)	15	(2)
- Management fee expense (Note 26)	<u>(2,120)</u>	<u>(1,826)</u>

(Forward)

<b>Transactions for the year ended 31 December</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Related company		
- Novation of gross outstanding claim	(893)	-
- Resource sharing expense recoveries	-	2

The net balance outstanding arising from the above transactions have been disclosed in Notes 9 and 17 respectively. There are no impairment loss recognised and bad debts written off in respect of amounts due from ultimate holding company, immediate holding company and related companies.

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

## 29. **RISK MANAGEMENT FRAMEWORK**

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

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

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

### 30. **INSURANCE RISK MANAGEMENT**

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

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

#### (i) **Underwriting risks**

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

##### **Pricing risks**

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

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

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

##### **Selection risks**

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

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

**Stochastic claims risks**

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

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

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

**Reserving risks**

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

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

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

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



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

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

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

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

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

	2022 RM'000	2021 RM'000
<b>Countries</b>		
Malaysia	540	2,832
Singapore	198	7,456
China	(150)	(5)
India	3	-
Philippines	-	1
Japan	1	9
Vietnam	-	(1)
Others	2	399
	<u>594</u>	<u>10,691</u>
<b>Line of business</b>		
Fire	(780)	7,714
Motor	(11)	475
Marine, aviation and transit	8	441
Engineering	1318	1,900
Miscellaneous	59	161
	<u>594</u>	<u>10,691</u>

(iii) **Sensitivity analysis**

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

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

	<b>Expected loss ratio</b>	
	<b>+10%</b>	<b>-10%</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>2022</b>		
Claims liabilities	<u>13,486</u>	<u>(5,353)</u>
<b>2021</b>		
Claims liabilities	<u>121,988</u>	<u>(7,059)</u>

(iv) **Claims development**

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

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

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

2022

Gross incurred claims

	2015 and prior RM'000	Underwriting years							Total RM'000
		2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
At end of first financial year	1,658,800	75,950	65,125	58,952	37,500	21	-	-	-
One year later	1,683,325	109,837	89,761	132,848	63,202	30	-	-	-
Two years later	1,593,327	92,056	87,257	147,089	61,117	15	-	-	15
Three years later	1,556,396	92,424	84,781	157,368	54,660	-	-	-	54,660
Four years later	1,511,332	91,189	77,252	151,999	-	-	-	-	151,999
Five years later	1,710,036	86,563	69,313	-	-	-	-	-	69,313
Six years later	1,688,821	86,180	-	-	-	-	-	-	86,180
Seven years later	1,668,461	-	-	-	-	-	-	-	1,668,461
Current estimates of loss reserves	1,668,461	86,180	69,313	151,999	54,660	15	-	-	2,030,628
Cumulative payments	(1,637,330)	(82,830)	(61,594)	(129,345)	(36,602)	-	-	-	(1,947,701)
<b>Best estimate of loss reserves</b>	31,131	3,350	7,719	22,654	18,058	15	-	-	82,927
Claims handling expenses									591
FPRAD at 75% confidence level									16,010
Gross general insurance contract liabilities per statement of financial position									
							Note 15(a)		99,528

**2021****Gross incurred claims**

	Underwriting years								
	2014 and prior RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
At end of first financial year	2,440,565	127,862	75,950	65,125	58,952	37,500	21	-	-
One year later	1,530,938	231,906	109,837	89,761	132,848	63,202	30		30
Two years later	1,451,419	215,630	92,056	87,257	147,089	61,117			61,117
Three years later	1,377,697	208,679	92,424	84,781	157,368				157,368
Four years later	1,347,717	206,365	91,189	77,252					77,252
Five years later	1,304,967	204,176	86,563						86,563
Six years later	1,505,860	199,583							199,583
Seven years later	1,489,238								1,489,238
Current estimates of loss reserves	1,489,238	199,583	86,563	77,252	157,368	61,117	30	-	2,071,151
Cumulative payments	(1,442,424)	(190,860)	(79,578)	(59,452)	(122,976)	(30,813)	-	-	(1,926,103)
<b>Best estimate of loss reserves</b>	<b>46,814</b>	<b>8,723</b>	<b>6,985</b>	<b>17,800</b>	<b>34,392</b>	<b>30,304</b>	<b>30</b>	<b>-</b>	<b>145,048</b>
Claims handling expenses									1,055
FPRAD at 75% confidence level									28,061
Gross general insurance contract liabilities per statement of financial position									
								Note 15(a)	174,164

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

2022

Net incurred claims

	<i>Underwriting years</i>										
	2015 and prior RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	Total RM'000		
At end of first financial year	733,278	20,320	19,108	15,315	19,967	149	-	-	-		
One year later	726,441	22,837	18,143	18,412	27,226	-	-	-	-		
Two years later	699,807	21,105	18,435	21,484	28,112	-	-	-	-		
Three years later	694,360	19,640	18,317	20,604	24,463	-	-	-	24,463		
Four years later	686,160	20,001	17,511	19,192	-	-	-	-	19,192		
Five years later	838,629	19,473	16,776	-	-	-	-	-	16,776		
Six years later	823,518	19,106	-	-	-	-	-	-	19,106		
Seven years later	827,822	-	-	-	-	-	-	-	827,822		
Current estimates of loss reserves	827,822	19,106	16,776	19,192	24,463	-	-	-	907,359		
Cumulative payments	(811,547)	(17,639)	(13,813)	(13,328)	(14,504)	-	-	-	(870,831)		
<b>Best estimate of loss reserves</b>	16,275	1,467	2,963	5,864	9,959	-	-	-	36,528		
Claims handling expenses									590		
FPRAD at 75% confidence level									6,757		
Net general insurance contract liabilities per statement of financial position									Note 15(a)	43,875	

**2021****Net incurred claims**

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

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

(a) **Categories of financial instruments**

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

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

	<b>Carrying amount RM'000</b>	<b>L&amp;R/ FL RM'000</b>	<b>AFS RM'000</b>
<b>2022</b>			
<b>Financial assets</b>			
Investments	67,828	-	67,828
Insurance receivables	39,474	39,474	-
Other receivables (excluding prepayments)	800	800	-
Cash and cash equivalents	67,852	67,852	-
	<u>175,954</u>	<u>108,126</u>	<u>67,828</u>
<b>Financial liabilities</b>			
Insurance payables	(6,477)	(6,477)	-
Other payables and accruals	(7,484)	(7,484)	-
Provision for reported claims	(71,962)	(71,962)	-
	<u>(85,923)</u>	<u>(85,923)</u>	<u>-</u>

(Forward)

	<b>Carrying amount RM'000</b>	<b>L&amp;R/ FL RM'000</b>	<b>AFS RM'000</b>
<b>2021</b>			
<b>Financial assets</b>			
Investments	169,373	-	169,373
Insurance receivables	45,237	45,237	-
Other receivables (excluding prepayments)	1,803	1,803	-
Cash and cash equivalents	40,176	40,176	-
	<u>256,589</u>	<u>87,216</u>	<u>169,373</u>
<b>Financial liabilities</b>			
Insurance payables	(4,834)	(4,834)	-
Other payables and accruals	(5,629)	(5,629)	-
Provision for reported claims	<u>(113,907)</u>	<u>(113,907)</u>	<u>-</u>
	<u>(124,370)</u>	<u>(124,370)</u>	<u>-</u>

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

	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Net (losses)/gains on:		
Available-for-sale financial assets		
- recognised in other comprehensive income	(1,374)	(5,474)
- recognised in profit or loss	3,928	8,042
Loans and receivables	<u>540</u>	<u>12</u>
	<u>3,094</u>	<u>2,580</u>

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

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

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



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

(i) **Credit risk management**

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

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to credit risk, credit quality and collateral*

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

*Impairment losses*

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

	<b>Gross RM'000</b>	<b>Individual impairment RM'000</b>	<b>Net RM'000</b>
<b>2022</b>			
1 to 3 months	12,990	-	12,990
4 to 6 months	2,879	-	2,879
7 to 12 months	5,327	-	5,327
More than 12 months	18,408	(130)	18,278
	<u>39,604</u>	<u>(130)</u>	<u>39,474</u>
<b>2021</b>			
1 to 3 months	11,731	-	11,731
4 to 6 months	6,083	-	6,083
7 to 12 months	2,170	-	2,170
More than 12 months	25,490	(237)	25,253
	<u>45,474</u>	<u>(237)</u>	<u>45,237</u>

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

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

*Past due and impaired*

As at 31 December 2022, based on a collective and individual assessment of receivables, there are impaired insurance receivables of RM130,524 (2021: RM237,383). The movement in the allowance for impairment during the financial year are shown below:

	2022 RM'000	2021 RM'000
Balance as at 1 January	237	314
Reversal of allowance (Note 26)	<u>(107)</u>	<u>(77)</u>
Balance as at 31 December	<u>130</u>	<u>237</u>

**Investments**

*Risk management objectives, policies and processes for managing the risk*

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

*Exposure to credit risk, credit quality and collateral*

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

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

**Credit exposure**

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

	<b>2022</b> <b>RM'000</b>	<b>2021</b> <b>RM'000</b>
Investments	67,828	169,373
Insurance receivables (gross)	39,604	45,474
Other receivables (excluding prepayments)	800	1,803
Cash and cash equivalents	67,852	40,176
	<u>176,084</u>	<u>256,826</u>

***Credit exposure by credit quality***

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

	<b>Neither past-due nor impaired RM'000</b>	<b>Past-due but not impaired RM'000</b>	<b>Impaired RM'000</b>	<b>Total RM'000</b>
<b>2022</b>				
Investments:				
Corporate debt securities	67,828	-	-	67,828
Insurance receivables	12,990	26,484	130	39,604
Other receivables (excluding prepayments)	800	-	-	800
Cash and cash equivalents	67,852	-	-	67,852
	<u>149,470</u>	<u>26,484</u>	<u>130</u>	<u>176,084</u>

(Forward)

	Neither past-due nor impaired RM'000	Past-due but not impaired RM'000	Impaired RM'000	Total RM'000
<b>2021</b>				
Investments:				
Corporate debt securities	169,373	-	-	169,373
Insurance receivables	11,731	33,506	237	45,474
Other receivables (excluding prepayments)	1,803	-	-	1,803
Cash and cash equivalents	40,176	-	-	40,176
	<u>223,083</u>	<u>33,506</u>	<u>237</u>	<u>256,826</u>

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

	AAA RM'000	AA RM'000	A RM'000	BBB - B RM'000	Non- rated RM'000	Total RM'000
<b>2022</b>						
Investments:						
Corporate debt securities	4,326	57,852	5,650	-	-	67,828
Insurance receivables*	-	12	778	23,617	15,067	39,474
Other receivables (excluding prepayments)	-	-	-	-	800	800
Cash and cash equivalents	67,852	-	-	-	-	67,852
	72,178	57,864	6,428	23,617	15,867	175,954
<b>2021</b>						
Investments:						
Corporate debt securities	46,750	101,508	12,704	8,411	-	169,373
Insurance receivables*	-	-	7,643	9,782	27,802	45,237
Other receivables (excluding prepayments)	-	-	-	-	1,803	1,803
Cash and cash equivalents	40,176	-	-	-	-	40,176
	86,926	101,508	20,357	18,193	29,605	256,589

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

(ii) **Liquidity risk management**

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

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

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

- Cash flow position is being reviewed, on an ongoing basis, by monitoring its overall liquidity position and funding requirements over the short, medium and long term;
- Assets purchased by the Company are required to satisfy specified marketability requirements; and
- The Company maintains cash and liquid assets to meet daily calls on its insurance and investment needs.

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

**Maturity analysis**

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

	<b>Carrying value RM'000</b>	<b>Contractual interest rate RM'000</b>	<b>Contractual cash flows RM'000</b>	<b>Up to a year RM'000</b>	<b>&gt;1 – 3 years RM'000</b>	<b>&gt;3 – 5 years RM'000</b>	<b>&gt; 5 years RM'000</b>
<b>2022</b>							
Provision for reported claims	71,962	-	71,962	54,890	14,268	2,596	208
Insurance payables	6,477	-	6,477	6,477	-	-	-
Other payables and accruals	7,484	-	7,484	7,484	-	-	-
	<u>85,923</u>		<u>85,923</u>	<u>68,851</u>	<u>14,268</u>	<u>2,596</u>	<u>208</u>
<b>2021</b>							
Provision for reported claims	113,907	-	113,907	75,873	31,110	6,137	787
Insurance payables	4,834	-	4,834	4,834	-	-	-
Other payables and accruals	5,629	-	5,629	5,629	-	-	-
	<u>124,370</u>		<u>124,370</u>	<u>86,336</u>	<u>31,110</u>	<u>6,137</u>	<u>787</u>



(iii) **Market risk management**

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

- Currency risk
- Interest rate risk

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

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

**Currency risk**

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

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

*Risk management objectives, policies and processes for managing the risk*

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

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

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

	2022 RM'000	2021 RM'000
<b>Assets</b>		
Investments	-	8,411
Reinsurance assets	12,869	13,503
Insurance receivables	249,503	246,375
Accrued interest income	-	27
Cash and cash equivalents	22,260	5,541
	<u>284,632</u>	<u>273,857</u>
<b>Liabilities</b>		
Insurance contract liabilities	(25,004)	(19,864)
Insurance payables	<u>(60)</u>	<u>(60)</u>
	<u>(25,064)</u>	<u>(19,924)</u>
Net exposure	<u>259,568</u>	<u>253,933</u>

*Currency risk sensitivity analysis*

A 10% (2021: 10%) strengthening of RM against the following currency at the reporting date would increase the profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Impact on profit before tax	
	2022	2021
	RM'000	RM'000
United States Dollar	25,957	25,393

A 10% (2021: 10%) weakening of RM against the above currency at the end of the reporting period would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

### **Interest risk**

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

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

### *Risk management objectives, policies and processes for managing the risk*

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

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

### *Exposure to interest rate risk*

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

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

	<b>Within 1 year RM'000</b>	<b>1 to 5 years RM'000</b>	<b>More than 5 years RM'000</b>	<b>Total RM'000</b>
<b>2022</b>				
<b>Fixed rate instruments</b>				
Corporate debt securities	22,583	31,240	14,005	67,828
Cash and cash equivalents	67,852	-	-	67,852
	<u>90,435</u>	<u>31,240</u>	<u>14,005</u>	<u>135,680</u>
<b>2021</b>				
<b>Fixed rate instruments</b>				
Corporate debt securities	-	115,720	53,653	169,373
Cash and cash equivalents	40,176	-	-	40,176
	<u>40,176</u>	<u>115,720</u>	<u>53,653</u>	<u>209,549</u>

*Fair value sensitivity analysis for fixed rate instruments*

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

	<b>---- Impact on OCI and equity ----</b>			
	<b>2022</b>		<b>2021</b>	
	<b>50 bp increase RM'000</b>	<b>50 bp decrease RM'000</b>	<b>50 bp increase RM'000</b>	<b>50 bp decrease RM'000</b>
<b>Fixed rate instruments</b>				
Corporate debt securities	<u>(729)</u>	<u>729</u>	<u>(2,435)</u>	<u>2,435</u>

(iv) **Cash flow risk management**

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

(d) **Fair value information**

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments. The table below analyses financial instruments carried at fair value together with their fair values and carrying amounts shown in the statement of financial position. There were no financial instruments not carried at fair value for which fair value is disclosed.

	Fair value of financial instruments				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>2022</b>						
<b>Financial assets</b>						
Corporate debt securities	-	67,828	-	67,828	67,828	67,828
<b>2021</b>						
<b>Financial assets</b>						
Corporate debt securities	-	169,373	-	169,373	169,373	169,373

### **Valuation techniques and inputs**

The valuation techniques and inputs used in determining the fair value of the financial assets above is disclosed in Note 7(a).

### **Transfers between Level 1 and Level 2 fair values**

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

## **32. CAPITAL MANAGEMENT**

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

The Company's objectives when managing capital are:

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

### *Primary capital*

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

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

*Regulatory capital*

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

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

	2022 RM'000	2021 RM'000
<b>Eligible Tier 1 Capital</b>		
Share capital (paid-up)	125,000	125,000
Retained earnings	24,572	75,540
	149,572	200,540
<b>Tier 2 Capital</b>		
Eligible reserves	2,044	3,047
<b>Total capital available</b>	151,616	203,587

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



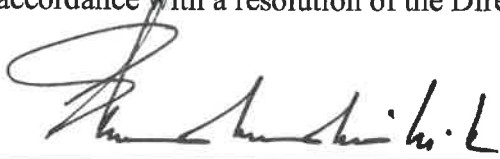
Company No. 200701004295 (762294 - T)

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

**STATEMENT BY DIRECTORS**

The directors of **ASIA CAPITAL REINSURANCE MALAYSIA SDN. BHD.** state that, in their opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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



**DATUK DR. SYED MUHAMAD**  
**BIN SYED ABDUL KADIR**




**DATUK MOHD NAJIB. ABDULLAH**

Kuala Lumpur,

**28 MAR 2023**

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

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



**CHONG SOON HING**  
(MIA Membership No. 27875)

Subscribed and solemnly declared by the  
abovenamed **CHONG SOON HING** at  
**KUALA LUMPUR** this **28 MAR 2023**

Before me,



PETALING JAYA  
SELANGOR



**COMMISSIONER FOR OATHS**

No. 61B, Jalan SS21/60  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan.