PRUDENTIAL

2022 Financial Statements

31 December 2022 | Together with Directors' and Auditors' Reports (In Ringgit Malaysia)

Prudential Assurance Malaysia Berhad

Company No. 198301012262 (107655-U) (Incorporated in Malaysia)

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(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

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Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2022

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

Principal activities

The Company is a licensed insurer carrying on life business in Malaysia.

The Company is principally involved in the underwriting of life insurance business, which includes linked business and, related thereto, the investment of funds. There has been no significant change in the nature of these principal activities during the year.

Ultimate holding company

The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

Results

	RM'000
Net profit for the year	448,240

Reserves and provisions

There was no material transfer to or from reserves and provisions during the year under review except as disclosed in the financial statements.

Insurance liabilities

Before the financial statements 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 Framework ("RBC Framework").

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 31 December 2021:

- a final single tier dividend of 265.0% totalling RM265.0 million declared and paid on 31 May 2022.

ii) In respect of the financial year ended 31 December 2022:

- an interim single tier dividend of 270.0% totalling RM270.0 million declared on 5 October 2022 and paid on 4 November 2022.

As at the date of financial statements, the Directors are considering a final dividend to be paid for the financial year under review.

Directors of the Company

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

Abdul Khalil bin Abdul Hamid
Anthony Albert Collingridge
Chin Kwai Fatt
Foong Pik Yee
Mohd Yuzaidi bin Mohd Yusoff (appointed with effect from 1 May 2022)
Solmaz Altin (appointed with effect from 1 January 2023)
Richard Patrick George Duxbury (retired with effect from 4 February 2022)
Soon Dee Hwee (retired with effect from 6 March 2022)
Lilian Lup-Yin Ng (resigned with effect from 31 December 2022)

Statement on corporate governance and internal controls

The Board of Directors (the Board) is committed to comply with the Policy Document on Corporate Governance, BNM/RH/PD 029-9 issued by Bank Negara Malaysia (BNM). The Board and the Chief Executive Officer (CEO) are collectively responsible for the proper stewardship of Prudential Assurance Malaysia Berhad (the Company). This is done by ensuring the achievement of corporate objectives, promoting sustainable growth and financial soundness as well as by ensuring reasonable standards of fair dealing without undue influence, and having in place sound corporate governance practices. This includes a consideration of the long term implications of the Board's decisions on the Company and its customers, officers and the general public.

1 Board of Directors

(a) Roles and Responsibilities of the Board

The role of the Board is to collectively be responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board is also to promote and protect the interests of PAMB. The Board provides advice in fine-tuning corporate strategies and ensures the effective execution of these strategies.

The Board is responsible for approving the Company's strategic plans and key policies, whilst providing effective oversight of the Management's performance, risk assessment and controls over business operations. The Board will apply high ethical standards in their decision making taking into account the interests of all stakeholders and ensure that high standards of good corporate governance are applied.

The principal responsibilities of the Board as prescribed in the Terms of Reference of the Board include the following:

(i) Safeguard the credibility and reputation of the Company by ensuring the management team and all employees conduct business with highest levels of integrity.

(ii) Adhere to the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.

(iii) Promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

(iv) Oversee the selection, performance and remuneration and succession plans for the CEO, Control Function Heads and other members of the Senior Management Team such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Company.

(v) Supervise the affairs of the Company to ensure sound management by:

(a) Ensuring at all times, the assets are properly managed to meet its liabilities and in compliance with the relevant legal and regulatory requirements.
(b) Being well informed of the affairs of the Company by monitoring and supervising the affairs of the Company.
(c) Retaining minutes of Board meetings and record of actions by Directors in connection with their oversight responsibilities.

(vi) Review and approve key policies, objectives and a clear framework that covers critical areas, including but not limited to solvency management, underwriting, claims management, reinsurance, investment, loans, risk management, financial planning and budgeting, and human resource management.

(vii) Review and approve the adequacy of IT and cybersecurity strategic plans covering a period of no less than 3 years.

(viii) Review and approve the effective implementation of a sound and robust Technology Risk Framework Management and Cyber Resilient Framework at least once every 3 years.

(ix) Review and approve cloud strategy and cloud operational management.

(x) Review and approve the outsourcing risk management framework and outsourcing plan.

(xi) Review and approve the Fair Treatment of Financial Consumers Framework.

(xii) Adhere to the relevant disclosure requirements prescribed by the Companies Act 2016, Financial Services Act 2013, BNM Guidelines and any other applicable laws.

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

(xiv) Undertake various functions and responsibilities as specified by the Company in the guidelines and directives issued by the regulatory authorities from time to time.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(a) Roles and Responsibilities of the Board (continued)

(xv) Observe all laws, rules and regulations as part of their statutory duties and be familiar with relevant laws, related regulations, interpretative rulings and notices and exercise care to see that these are not violated.

The Board members are provided with regular updates on key aspects of the Company's financials and operations including changes to regulatory requirements. Prior to each Board meeting, the Board members are provided with Notice of Board meetings and Board papers for each agenda item in advance to enable the Directors sufficient time to properly consider the issues and be prepared for discussion. Any additional information requested by the Directors is made available to them in a timely manner.

(b) Board Size and Composition

The Board comprised of 5 members including the Chairman as at the end of the financial year 2022. The Board size is conducive to decision making and is appropriate given the size of the Company's operations. The composition of the Board remains adequate to provide for a diversity of views, facilitate decision making, and appropriate balance of executive, non-executive, independent and non-independent directors.

Company No. 198301012262 (107655-U)

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(b) Board Size and Composition (continued)

The composition of the Board during the financial year 2022 and up to the date of this report is as follows:

No.	Name	Designation	Appointment/ Resignation
1.	Abdul Khalil bin Abdul Hamid	**Chairman** Non-Independent Non-Executive Director	-
2.	Lilian Lup-Yin Ng	**Member** Executive Director	Resigned with effect from 31 December 2022
3.	Richard Patrick George Duxbury	**Member** Independent Non-Executive Director	Retired with effect from 4 February 2022
4.	Soon Dee Hwee	**Member** Independent Non-Executive Director	Retired with effect from 6 March 2022
5.	Anthony Albert Collingridge	**Member** Independent Non-Executive Director	-
6.	Chin Kwai Fatt	**Member** Independent Non-Executive Director	-
7.	Foong Pik Yee	**Member** Independent Non-Executive Director	-
8.	Mohd Yuzaidi bin Mohd Yusoff	**Member** Independent Non-Executive Director	Appointed with effect from 1 May 2022
9.	Solmaz Altin	**Member** Executive Director	Appointed with effect from 1 January 2023

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors

The Board members are nominated based on diverse background, mix of skills, experience and other core competencies to carry out oversight of the Company's operations in order to achieve its corporate objectives and fulfil its fiduciary responsibilities.

A brief background of each Director who served on the Board during the financial year 2022 and up to the date of this report is appended below:

(i) Abdul Khalil Bin Abdul Hamid, age 67
Chairman, Non-Independent Non-Executive Director

Abdul Khalil bin Abdul Hamid has been a member of the Board since 13 April 2007. He was redesignated as the Chairman of the Board on 1 January 2017. He is currently a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee and Board Remuneration Committee.

He graduated from University Malaya, Kuala Lumpur in 1979 with a Bachelor of Economics (Hons) degree and has more than 40 years of experience in the financial industry. He started his career as a Resident Officer in HSBC in February 1979 and left in October 1985 as a Sub-Manager of the Customer Service Department at the Kuala Lumpur main office. He joined the Bank of Nova Scotia as an Account Manager in November 1985, where he managed a varied portfolio of corporate and commercial customers and the real estate and public sector business segments. His last position at the Bank of Nova Scotia was as a Manager, Personal Banking. In September 1995, he joined Affin Bank Berhad as Head, Syndications Department. At Affin Bank, Abdul Khalil was a member of the Islamic Banking Management Committee and the Credit Review and Recovery Committee. His last position with Affin Bank was as the Head of Credit Management Department. In April 2002, he joined the Bank of Tokyo-Mitsubishi UFJ (M) Berhad as an Executive Vice President, Operations and was appointed as an Advisor, Operations in October 2012 prior to retiring in October 2013.

He currently holds other directorships in Kuwait Finance House (Malaysia) Berhad and Mizuho Bank (Malaysia) Berhad.

(ii) Lilian Lup-Yin Ng, age 58 (resigned with effect from 31 December 2022)
Executive Director

Lilian Lup-Yin Ng had been a member of the Board since 12 November 2015 until her resignation on 31 December 2022. She was also a member of the Board Nominating Committee.

She was appointed as Prudential plc's Managing Director of the Strategic Business Group covering Mainland China, Hong Kong and Taiwan on 1 July 2022. She is responsible for Agency and Bancassurance, Customer Analytics and Insights, and Brand and Marketing. She is also responsible for Group-wide customer, distribution and marketing strategy and deployment of solutions across Prudential's network of insurance businesses, driving business performance in the digital world to deliver customer ambitions and success.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(ii) Lilian Lup-Yin Ng, age 58 (continued)
Executive Director (continued)

She has been part of the Prudential Group for over 20 years with extensive experience in the insurance sector. She has held a range of leadership roles within Prudential, including Chief Operating Officer, Insurance of Prudential Corporation Asia Limited (PCA) for 6 years. Lillian is a Fellow of the Institute of Actuaries of Australia and holds a Bachelor's Degree in Economics from Macquarie University (1987), Australia.

She currently serves as a Board member of Prudential BSN Takaful Berhad.

(iii) Richard Patrick George Duxbury, age 77 (retired with effect from 4 February 2022)
Independent Director

Richard Patrick George Duxbury had been a member of the Board since 5 February 2013 until his retirement on 4 February 2022. He was previously the chairman of the Board Nominating Committee and a member of the Board Audit Committee, Board Risk Management Committee and the Board Remuneration Committee.

His areas of expertise include risk management, governance, distribution and sales and dispute resolution. During his long career in financial services, he attended numerous internal and external residential training courses across a wide spectrum of key subjects and skills. He also completed a UK Board Director Training Course from the Financial Times in 2009 and qualified as an Interpersonal Mediation Practitioner from UK Mediation in 2012.

He was a long-time employee of Friends Provident Life and Pensions Ltd, a subsidiary of Friends Provident Group plc. He served in the said company from 1974 to 2008, beginning with various senior executive and non-executive appointments in the areas of sales, marketing operations and risk management. In 1990, he founded Friends Provident International and was appointed as its first Senior Executive Manager to establish and grow the business into a key profit stream for the group. Thereafter, he was appointed Head of International Sales and Distribution from 1998 to 2002, Director, International Sales and Distribution from 2002 to 2005 and Director, Strategic Development (International) from 2006 to 2008, responsible for merger and acquisition work in Asia. Subsequently, he joined FriendsLife Group and served as its Director, Strategic Development (International) from 2008 to 2012. His appointment included him providing board representation on the Asia-based joint ventures.

Whilst employed by Friends Provident Life and Pensions Ltd, he was also Deputy Chairman of the Association of International Life Offices (AILO) from 2001 to 2005. He had also served as a dispute resolution mediator on the panel of the Kuala Lumpur Regional Centre for Arbitration (KLRCA).

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(iv) Soon Dee Hwee, age 62 (retired with effect from 6 March 2022)
Independent Director

Soon Dee Hwee had been a member of the Board since 7 March 2016 until her retirement on 6 March 2022. She was previously the chairperson of the Board Remuneration Committee and a member of the Board Audit Committee, Board Risk Management Committee and Board Nominating Committee.

She qualified as a Certified Public Accountant of the Malaysian Association of Certified Public Accountants in 1986, and as a Chartered Accountant by the Malaysian Institute of Accountants in 1987. She began her career in Hanafiah Raslan & Mohd in 1981, before joining KPMG in 1987. Thereafter, she moved to the corporate finance department in Bumiputra Merchant Bankers Berhad from 1989 to 1996, and subsequently the corporate finance department in Alliance Investment Bank Berhad from 1997 to 2003. Later, she came under the employment of Hwang-DBS Investment Bank Berhad, first as Head of Corporate Finance from 2003 to 2007, and later as Senior Vice President of the CEO’s office from 2007 to 2014. She is currently a Senior Vice President in HDM Capital Sdn Bhd.

She also holds other directorships in Mynews Holdings Berhad and Asian Pac Holdings Berhad.

(v) Anthony Albert Collingridge, age 64
Independent Director

Anthony Albert Collingridge has been a member of the Board since 23 August 2017. He is currently the chairman of Board Nominating Committee and Board Remuneration Committee and a member of the Board Audit Committee and Board Risk Management Committee.

After leaving school with A-Levels in English Literature and Ancient History, he joined the UK Civil Service in 1978 where he served for almost 40 years, mainly in business-facing roles. These included positions in the Department of Energy until 1995, Overseas Trade Services until 1999 and the Department of Trade and Industry until 2006. He then moved to Hong Kong for a posting with the Foreign and Commonwealth Office and transferred to Kuala Lumpur in 2011 where he joined the newly-formed Department for International Trade in 2016. He left Government service in 2017 and established Delta Gate Solutions Sdn Bhd in Kuala Lumpur, mainly focussed on International Business Development, for which he acted as Managing Director between 2017 and 2021.

He was appointed to the Order of the British Empire by Her Majesty the Queen in 2007 for services to British trade and investment.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(vi) Chin Kwai Fatt, age 68
Independent Director

Chin Kwai Fatt has been a member of the Board since 3 December 2018. He is currently the chairman of the Board Risk Management Committee and a member of the Board Audit Committee, Board Nominating Committee and Board Remuneration Committee.

He brings with him a combination of business insights, stakeholder management and servant leadership together with hands on experience in mergers and acquisitions, board engagement and technology strategy.

He has successfully managed a diverse range of professional services which include various deals, consulting, assurance and tax in a highly competitive environment. Since his admission as a Partner 25 years ago in 1991, he has held various leadership roles within PricewaterhouseCoopers (PwC) and the PwC Network. He served as a Managing Partner for PwC Malaysia for 12 years from 2000 to 2012. Prior to that, he was the Managing Consulting Services Leader from 1994 to 2000.

His leadership role extended beyond Malaysia with the formation of PwC South East Asia Peninsula (SEAPEN) Region in 2008 which covered over 3,000 people in Malaysia, Thailand, Vietnam, Cambodia and Laos. He was the Territory Senior Partner for PwC SEAPEN from 2008 to 2012. During this period, he was the SEAPEN representative in the PwC East Cluster Leadership Team. From 2012 to 2016, Kwai Fatt served as the Corporate Finance Leader in PwC. Upon his retirement as a Partner in June 2016, he took up the role of a Senior Adviser to PwC South East Asia Corporate Finance.

He currently holds other directorships in Dialog Group Berhad and Nestle Malaysia Berhad.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(vii) Foong Pik Yee, age 64
Independent Director

Foong Pik Yee has been a member of the Board since 1 July 2019. She is currently the chairperson of the Board Audit Committee and a member of the Board Risk Management Committee, Board Nominating Committee as well as Board Remuneration Committee.

She has over 35 years of experience in the banking sector and the accounting profession (audit and consultancy). She worked with international banks and a Malaysian public listed bank covering all aspects of general management, finance, risk management, sales and marketing, product management and operations. Her vast experience was acquired in Malaysia, Hong Kong, Singapore, Australia and Middle East.

She returned to Malaysia under Talentcorp's Returning Expert Programme and was the Chief Financial Officer of Hong Leong Bank from January 2013 to June 2019 where she directed and oversaw all matters relating to finance covering financial accounting, statutory and management reporting, capital management, taxation, corporate finance and investor relations.

She is a Chartered Accountant and Chartered Banker. She obtained her Bachelor of Commerce from the University of Melbourne, Australia and Master of Business Administration from Monash University, Australia. She serves on the Industry Advisory Board of Monash University, Malaysia since 2016 until to-date. She is also a mentor with ICAEW's Women in Leadership programme and a member of the Malaysia Australia Business Council mentoring programme.

She currently holds other directorships in AmBank (M) Berhad, Paramount Corporation Berhad and QSR Brands (M) Holdings Bhd.

(viii) Mohd Yuzaidi bin Mohd Yusoff, age 60 (appointed with effect from 1 May 2022)
Independent Director

Mohd Yuzaidi Bin Mohd Yusoff was appointed as a member of the Board effective 1 May 2022. He was also appointed as a member of the Board Audit Committee, Board Risk Management Committee, Board Nominating Committee as well as Board Remuneration Committee on even date.

He is a professional with over 30 years of consulting and entrepreneurial experience in Asia in various trades and diversified portfolio of companies and industries. He is an alumnus of Accenture, one of the world's leading management and technology consulting companies. He holds a Bachelor of Science in Computer Science from Northern Illinois University, United States of America (USA). He also holds a Master of Science in Business Administration from San Diego State University, USA.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(c) Profile of Directors (continued)

(viii) Mohd Yuzaidi bin Mohd Yusoff, age 60 (appointed with effect from 1 May 2022) (continued)
Independent Director (continued)

He led the electronics and high-tech industry for the Accenture Malaysia practice and left Accenture in 2001 to co-found Clear Minds Sdn Bhd, a 100% Bumiputra boutique information and communication technologies (ICT) and management consulting firm. The firm offers a multitude of services ranging from business and financial advisory, program management and business solutions delivery to a large array of clients mainly from the Government-Linked companies (GLCs).

He was also the Group Chief Strategy and Corporate Governance for PST Ventures Sdn Bhd to transform Puncak Semangat group of companies, and served as a Director of PST Ventures Sdn Bhd, Synergycentric Sdn Bhd, and SynergyCloud Sdn Bhd.

He currently serves as a Board member of Bank Islam Malaysia Berhad, Petronas Dagangan Berhad, PADU Corporation and Muslim Professionals Forum Berhad.

(ix) Solmaz Altin, age 49 (appointed with effect from 1 January 2023)
Executive Director

Solmaz Altin has been a member of the Board since 1 January 2023. He is also currently a member of the Board Nominating Committee.

He is a German citizen who has more than 25 years' experience of leading business change and growth in the financial services industry in Asia-Pacific, Middle East and Europe. He holds a graduate degree in Business Administration and Economics from Gerhard-Mercator-University in Duisburg, Germany.

In light of the ongoing evolution of Prudential plc Group, he was appointed as Managing Director of the Strategic Business Group covering India, Indonesia, Malaysia, the Philippines, Laos, Myanmar, Cambodia and Africa. He is also accountable for Prudential's Digital and Technology functions, from new products and solutions for the customers to how Prudential serves existing customers faster and better through multi-channel models. He drives the business transformation critical to how Prudential continues to accelerate customer delivery and strengthens the customer engagement platforms.

Statement on corporate governance and internal controls (continued)

1 Board of Directors (continued)

(d) Training and Education provided to the Board

Members of the Board possess the necessary qualifications and experience to discharge their duties and responsibilities effectively. They are also continually assessed to ensure that they meet the fit and proper criteria prescribed under the BNM Policy Document on Fit and Proper Criteria (BNM/RH/GL 018-5) and Section 60 of the Financial Services Act 2013 (FSA).

Members of the Board have attended training programmes and dialogues organised by ICLIF Leadership and Governance Centre, the Financial Institutions Directors' Education (FIDE) Forum, Climate Governance Malaysia, KPMG, PricewaterhouseCoopers and the Asia School of Business, amongst others. The Company is a registered corporate member of the FIDE Forum since 2012 and the Board has continuous access to the many discussion sessions organised by FIDE Forum throughout the year.

The Board also participates in Directors' briefing sessions organised by the Company Secretary with the aim of enhancing the Board's understanding and knowledge of financial, actuarial and investment reports and regulatory developments, amongst others.

An induction programme is also conducted for newly appointed Directors. The new Directors are provided with a comprehensive information pack which contains the relevant laws and regulations on their roles and responsibilities, Terms of References of the Board and its Committees, Fit and Proper Policy and Procedures, Succession Planning Policy, Code of Ethics and the Company's strategic plans for the year. New Directors are also provided with the opportunity to meet with members of the Executive Committee to discuss the Company's operations. The Company Secretary facilitates the induction program by providing access to information on finance, strategic planning, operations and risk management, amongst others to assist the new Director during their familiarisation session.

Directors are subject to retirement by rotation and re-election pursuant to Article 66A of the Company's Articles of Association.

2 Board Committees

The Board has established the following Board Committees to assist in the management of the Company's business and discharge of its duties:

(i) Board Audit Committee
(ii) Board Risk Management Committee
(iii) Board Nominating Committee
(iv) Board Remuneration Committee

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(i) Board Audit Committee

No.	Name	Designation
1.	Foong Pik Yee	Chairperson
2.	Soon Dee Hwee	Member (retired with effect from 6 March 2022)
3.	Richard Patrick George Duxbury	Member (retired with effect from 4 February 2022)
4.	Anthony Albert Collingridge	Member
5.	Abdul Khalil bin Abdul Hamid	Member
6.	Chin Kwai Fatt	Member
7.	Mohd Yuzaidi bin Mohd Yusoff	Member (appointed with effect from 1 May 2022)

Roles and Responsibilities of the Board Audit Committee

The Board Audit Committee is responsible for reviewing the Company's financial statements and for the effectiveness of the Company's internal control and risk management systems. The Board Audit Committee also monitors the effectiveness and objectivity of the internal and external auditors. The Board Audit Committee meets at least once every quarter to review the reports submitted by the internal audit team, compliance team and the external auditor.

(ii) Board Risk Management Committee

No.	Name	Designation
1.	Chin Kwai Fatt	Chairman
2.	Richard Patrick George Duxbury	Member (retired with effect from 4 February 2022)
3.	Soon Dee Hwee	Member (retired with effect from 6 March 2022)
4.	Anthony Albert Collingridge	Member
5.	Abdul Khalil bin Abdul Hamid	Member
6.	Foong Pik Yee	Member
7.	Mohd Yuzaidi bin Mohd Yusoff	Member (appointed with effect from 1 May 2022)

Roles and Responsibilities of the Board Risk Management Committee

The Board Risk Management Committee is responsible for the overall risk oversight of the effectiveness of the Company's Risk Framework. The Board Risk Management Committee provides leadership, direction and oversight with regard to the Company's overall risk appetite and tolerance and risk management framework which includes risk and business continuity management policies, processes and controls. The Board Risk Management Committee will also oversee senior officers in managing key risk areas and ensure that an appropriate risk management process is in place and functioning effectively. The Board Risk Management Committee meets at least once every quarter to review the Management's reports on risk exposure and risk management activities.

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(iii) Board Nominating Committee

No.	Name	Designation
1.	Richard Patrick George Duxbury	Chairman (retired with effect from 4 February 2022)
2.	Soon Dee Hwee	Member (retired with effect from 6 March 2022)
3.	Anthony Albert Collingridge	Member/ Chairman (redesignated as Chairman with effect from 5 February 2022)
4.	Abdul Khalil bin Abdul Hamid	Member
5.	Lilian Lup-Yin Ng	Member (resigned with effect from 31 December 2022)
6.	Chin Kwai Fatt	Member
7.	Foong Pik Yee	Member
8.	Mohd Yuzaidi bin Mohd Yusoff	Member (appointed with effect from 1 May 2022)
9.	Solmaz Altin	Member (appointed with effect from 1 January 2023)

Roles and Responsibilities of the Board Nominating Committee

The Board Nominating Committee is responsible for establishing a formal and transparent procedure for the appointment of Directors, the CEO, Control Function Heads, Senior Management Team and the Company Secretary. The Board Nominating Committee also assesses the effectiveness of individual Directors, the Board as a whole (inclusive of its committees), CEO, Control Function Heads, Senior Management Team and the Company Secretary on an on-going basis. The Board Nominating Committee meets at least once a year to fulfil its responsibilities.

(iv) Board Remuneration Committee

No.	Name	Designation
1.	Soon Dee Hwee	Chairperson (retired with effect 6 March 2022)
2.	Richard Patrick George Duxbury	Member (retired with effect from 4 February 2022)
3.	Anthony Albert Collingridge	Member/ Chairman (redesignated as Chairman with effect from 7 March 2022)
4.	Abdul Khalil bin Abdul Hamid	Member
5.	Chin Kwai Fatt	Member
6.	Foong Pik Yee	Member
7.	Mohd Yuzaidi bin Mohd Yusoff	Member (appointed with effect from 1 May 2022)

Statement on corporate governance and internal controls (continued)

2 Board Committees (continued)

(iv) Board Remuneration Committee (continued)

Roles and Responsibilities of the Board Remuneration Committee

The Board Remuneration Committee is responsible for establishing a formal and transparent procedure for developing the remuneration policy for the Directors, CEO, Control Function Heads and Senior Management Team and to ensure that their compensation is competitive and consistent with the insurer's culture, objectives and strategy. The Board Remuneration Committee meets at least once a year to fulfil its responsibilities.

3 Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2022

	Board	Board Audit Committee	Board Risk Management Committee	Board Nominating Committee	Board Remuneration Committee
Lilian Lup-Yin Ng (resigned with effect from 31 December 2022)	9 out of 9	N/A	N/A	4 out of 5	N/A
Abdul Khalil bin Abdul Hamid	9 out of 9	8 out of 8	6 out of 6	5 out of 5	6 out of 6
Soon Dee Hwee (retired with effect from 6 March 2022)	1 out of 1	1 out of 1	1 out of 1	1 out of 1	0 out of 0
Anthony Albert Collingridge	9 out of 9	8 out of 8	6 out of 6	5 out of 5	6 out of 6
Richard Patrick George Duxbury (retired with effect from 4 February 2022)	0 out of 0	0 out of 0	0 out of 0	0 out of 0	0 out of 0
Chin Kwai Fatt	9 out of 9	8 out of 8	6 out of 6	5 out of 5	6 out of 6
Foong Pik Yee	9 out of 9	8 out of 8	6 out of 6	5 out of 5	6 out of 6
Mohd Yuzaidi bin Mohd Yusoff (appointed with effect from 1 May 2022)	7 out of 7	6 out of 6	4 out of 4	3 out of 3	5 out of 5

N/A – Not Applicable (not a member)

Statement on corporate governance and internal controls (continued)

4 Corporate independence

The Company has complied with the BNM's Guidelines on Related-Party Transactions (BNM/RH/GL 018-6) in respect of all its related-party undertaking. Full disclosure had been made to the Board, and when the amount involved in a transaction was material, the Board's approval for the transaction had also been sought.

5 Internal control framework

The Company has established a Risk Framework which describes the Company's philosophy and approach to risk management that provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management (processes or controls). The internal audit function provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which covers risk management and compliance.

(a) In the Risk Framework, the Company applies the principle of three (3) lines of defence model: risk taking and management, risk control and oversight and independent assurance as illustrated below:

(i) First line of defence

The first line of defence comprises the business functions involved in the risk taking and management of the Company.

The business functions take and manage risk exposure in accordance with the risk appetite, mandate and limits set by the Company's Board of Directors.

(ii) Second line of defence

The second line of defence is the Risk Control and Oversight function which reports to the Chief Risk Officer, comprising:

- **Risk Management function**

  The Risk Management function consists of Financial Risk, Operational Risk, Business Continuity and Information, Technology and Privacy Risk sections. The function identifies, measure, monitor, control and report on risk exposures that encompass risks at firm-wide, portfolio and business-line level, as well as both on and off-balance sheet exposures. The function provides review and oversight on management actions and strategic direction from the perspective of prudent risk management. The function supports the Board Risk Management Committee and is responsible for the implementation and coordination of risk initiatives and requirements across the business.

- **Compliance function**

  Compliance function's main responsibility is to provide advice, guidance and support to the business functions on regulatory matters. The

Statement on corporate governance and internal controls (continued)

5 Internal control framework (continued)

(ii) Second line of defence (continued)

- **Compliance function (continued)**
  The Compliance function also manages the regulatory changes within the Company by working closely with the relevant business functions in ensuring proper implementation of the regulatory changes. Monitoring and review activities are carried out on risk-based approach by the Compliance function to provide the assurance that the business is carried out within the ambit of the regulatory requirements. Additionally, the Financial Crime Compliance function outlines the governing policies and manages matters relating to anti-money laundering, anti-bribery and corruption as well as conflicts of interest.

(iii) Third line of defence

The third line of defence is the Internal Audit function, which provides independent assurance on the design, effectiveness and implementation of the overall system of internal control which also covers the risk management and compliance functions.

(b) The key policies and procedures for each of the internal control/second line functions are as follows:

(i) The review on the Risk Framework document is conducted from time to time, to reflect the latest changes in the Prudential Group, PCA or local regulatory requirements.

(ii) For the Compliance function, the key policies and procedures include:

- Compliance Policy sets out the general compliance standards and provision of principal laws and regulations governing the Company's operations. The Compliance Policy includes Regulatory Engagement Protocol which entails the communication and information exchange with any relevant regulatory bodies. The Compliance Policy is reviewed annually or as and when there are significant changes, and any subsequent significant changes are approved by the Board.

- Anti-Money Laundering ("AML") & Counter-Terrorist Financing of Terrorism ("CFT") Policy sets out requirements, standards and guidance that support the Company's compliance with Prudential Group and Bank Negara Malaysia's guidelines. The AMLCFT Policy is reviewed annually and any changes are approved by the Board.

- Anti-Bribery and Corruption Policy, including Gift and Hospitality (G&H) which sets out the minimum requirements that support the Company's compliance with Prudential Group Anti-Bribery and Corruption. The Anti-Bribery and Corruption Policy is reviewed annually and any changes are approved by the Board. The Company is also required to comply with Section 17A of the Malaysian Anti-Corruption Commission ("MACC") Act 2009.

Statement on corporate governance and internal controls (continued)

5 Internal control framework (continued)

(b) The key policies and procedures for each of the internal control/second line functions are as follows (continued):

(ii) For the Compliance function, the key policies and procedures include (continued):

- Conflicts of Interest Policy is established to adopt measures to avoid conflict of interest, identify the existence of any conflicts of interest and to disclose the existence of conflict of interest. The Conflicts of Interest Policy is reviewed annually and any changes are approved by the Executive Risk Committee.

6 Remuneration policy

The Remuneration Policy sets out guidelines which support PAMB's objective of having an effective approach in place to reward employees in an appropriate way which:

- aligns incentives to business objectives to support the delivery of the Company's business plans, strategies and values;
- enables the recruitment and retention of high calibre employees and incentivises them to achieve success for the Company; and
- is consistent with the Company's risk appetite.

The key features of the remuneration system which is embedded in the policy include the following:

- Governance and oversight processes;
- Remuneration structures such as base salary, cash allowance, discretionary Annual Incentive Bonus (AIB) payments, and benefits;
- Performance management approach;
- Identification of 'other material risk takers';
- Identification and roles of control functions;
- Anti-avoidance and anti-hedging.

The Company has twelve (12) Senior Management members comprising of the Chief Executive Officer and Chief Officers in the Executive Committee as well as four (4) Other Material Risk Takers during the financial year 2022.

The Company's remuneration system is subjected to the Board's active oversight to ensure that the system operates as intended and is in line with the business and risk strategies, corporate values and long-term interests of the Company. The Company is guided by a set of principles promoting sound and effective risk management to ensure that the Company does not encourage risk-taking that exceeds the level of tolerated risk of the Company. The prudent risk-taking approach encourages individuals to act in the interests of the Company as a whole, taking into consideration various stakeholders such as customers, shareholders, businesses and employees' objectives. The assessment from the Control Functions Heads and the Board Risk Management Committee ensures that risk exposures and risk outcomes are adequately considered. In order to achieve objective assessment and reporting, the appraisal and remuneration

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

of the control functions are based on functional and individual components which are independent of the businesses that they support.

The Company's 2022 achievement is measured by both financial and non-financial metrics, which captures the achievement of quantitative as well as qualitative performance and other risk adjusted measures. Non-financial metrics included are health and protection sales, customer excellence, people development as well as building future ready distribution capabilities in supporting the business and ensuring long term sustainability.

The Company's discretionary AIB scheme is designed to link the reward of the employees against the Company's financial and non-financial metrics as well as individual's performance. The individual performance includes the pre-agreed bonus participation rate that reflects the criticality of the individual's contribution. Bonus above the deferral threshold will split into cash bonus (delivered in March for prior performance year) and deferred bonus awards (delivered over 3 years). A minimum level of deferral is required for roles under Senior Management, designated roles in Control Functions and Other Material Risk Takers.

In the event the Company's performance is weak, the adjustments for fixed and/ or variable remuneration will be performed accordingly. The Company defines weak performance as the deviation of achieved performance against a set of objectives with pre-defined thresholds and targets.

The Company is fully compliant with the requirements of Part D of the Corporate Governance Policy Document (BNM/RH/PD 029-9) issued by BNM, with regards to alignment of the remuneration for individuals with prudent risk taking and adopting multi-year framework with payout schedules. This reflects the time horizon of risks and promoting behaviours that are aligned to the intended effects of the Company's incentive structure.

The quantitative remuneration disclosure for the Senior Management members comprising of Chief Executive Officer and Chief Officers in the Executive Committee and Other Material Risk Takers, for the financial year 2022 are shown below.

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

The quantitative remuneration disclosure for the Senior Management Team for the financial year 2022 is shown in the table below:

Total value of remuneration awards for the financial year 2022 (RM)		
	Unrestricted	**Deferred**
Fixed Remuneration		
Cash based	11,658,469	-
Shares and share-linked instruments	-	-
Other	549,588	-
Variable Remuneration		
Cash based	8,032,650	-
Shares and share-linked instruments	-	7,497,568*
Other	1,224,068	-
Grand Total	21,464,775	7,497,568

∗ Deferred remuneration is based on value of shares granted in financial year 2022. The total amount of outstanding deferred remuneration for year 2022 was RM3,366,685. The total amount paid out during the financial year was RM3,256,764.

All Senior Management members have variable remuneration and none of the members received any guaranteed bonus.

The quantitative remuneration disclosure for Other Material Risk Takers for the financial year 2022 is shown in the table below:

Total value of remuneration awards for the financial year 2022 (RM)		
	Unrestricted	**Deferred**
Fixed Remuneration		
Cash based	2,587,111	-
Shares and share-linked instruments	-	-
Other	3,599	-
Variable Remuneration		
Cash based	1,368,565	-
Shares and share-linked instruments	-	747,734*
Other	212,639	-
Grand Total	4,171,914	747,734

∗ Deferred remuneration is based on value of shares granted in financial year 2022. The total amount of outstanding deferred remuneration for year 2022 was RM328,566. The total amount paid out during the financial year was RM865,705.

Statement on corporate governance and internal controls (continued)

6 Remuneration policy (continued)

Other Material Risk Takers have variable remuneration. None of them received any guaranteed bonus.

Directors' interests in shares

None of the Directors holding office at the end of the financial year end had any interest in the ordinary shares of the Company during the financial year ended 31 December 2022, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

Directors' benefits

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

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

	From the Company RM'000
Directors of the Company:	
Fees	1,219

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.

Issue of shares

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

Options granted over unissued shares

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

Indemnity and insurance costs

The following disclosure on particulars of indemnity given to, or insurance effected for any officer of the Company is made pursuant to Section 289 (7) of the Companies Act 2016:

	Amount paid RM	Sum assured RM
Directors & Officers Liability Insurance and Comprehensive Crime and Professional Indemnity Insurance	1,486,011	140,805,600

Other statutory information

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

(i) all known bad debts have been written off and adequate allowance made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts or the provision for insurance liabilities in the Company inadequate to any substantial extent; or

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

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

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

Other statutory information (continued)

(c) As at the date of this report, there does not exist:

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

(ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

(d) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) 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 financial performance of the Company for the financial year in which this report is made.

For the purpose of paragraphs (c) and (d), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

Auditors

The auditors, Messrs KPMG PLT are retiring and are not seeking re-appointment as a result of mandatory rotation of holding company's auditors. The auditors' remuneration of the Company during the year is RM1,188,345.

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

…………………………………………..
Foong Pik Yee
Director

…………………………………………..
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 17 March 2023

Prudential Assurance Malaysia Berhad
(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

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

We, Foong Pik Yee and Abdul Khalil bin Abdul Hamid being two of the Directors of Prudential Assurance Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 30 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended.

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

…………………………………………..
Foong Pik Yee
Director

…………………………………………..
Abdul Khalil bin Abdul Hamid
Director

Kuala Lumpur,

Date: 17 March 2023

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

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

I, Ng Sim Kheng being the officer primarily responsible for the financial management of Prudential Assurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 30 to 102 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Ng Sim Kheng at Kuala Lumpur in the Federal Territory on 17 March 2023.

……………………………………………….
Ng Sim Kheng

Before me:

Commissioner for Oaths
Kuala Lumpur

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PRUDENTIAL ASSURANCE MALAYSIA BERHAD

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Prudential Assurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 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 cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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 internal control of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other 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 content of this report.

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

Lee Yeit Yeen
Approval Number: 03484/02/2024 J
Chartered Accountant

Petaling Jaya

Date: 17 March 2023

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2022

	Note	2022 RM'000	2021 RM'000
Assets			
Property and equipment	3	195,200	233,568
Right-of-use assets	4	141,595	157,468
Intangible assets	5	316,291	307,930
Investments	7	41,492,721	40,864,482
Reinsurance assets	13	502	-
Insurance receivables	8	129,542	134,025
Other receivables	9	424,142	371,896
Tax recoverable		49,474	39,588
Cash and bank balances		70,745	77,743
		42,820,212	42,186,700
Assets classified as held for sale	6	-	296
Total assets		42,820,212	42,186,996
Equity, policyholders' funds and liabilities			
Share capital	10	100,000	100,000
Retained earnings	11	1,921,913	2,003,152
Total equity		2,021,913	2,103,152
Insurance contract liabilities	12	38,796,087	37,978,468
Reinsurance liabilities	13	-	11,388
Deferred taxation	14	365,063	474,668
Lease liabilities		148,541	165,453
Provisions	15	413,223	323,173
Insurance payables	16	395,269	414,621
Tax payable		39,383	68,420
Other payables	17	640,733	647,653
Total liabilities		40,798,299	40,083,844
Total equity, policyholders' funds and liabilities		42,820,212	42,186,996

The statement of financial position of the Company presented by funds is disclosed in Note 33.

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

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

	Note	2022 RM'000	2021 RM'000
Operating revenue	18	9,908,987	9,535,440
Gross earned premiums		8,216,174	7,963,238
Premiums ceded to reinsurers		(255,411)	(191,329)
Net earned premiums		7,960,763	7,771,909
Investment income	19	1,692,813	1,572,202
Realised (losses)/gains	20	(195,652)	540,928
Fair value losses	21	(1,466,724)	(1,606,546)
Fee and commission income	22	468,810	438,776
Other operating income		198,070	119,610
Other income		697,317	1,064,970
Gross benefits and claims paid		(4,789,058)	(4,194,648)
Claims ceded to reinsurers		48,938	46,507
Gross change in contract liabilities		(717,794)	(1,302,649)
Change in contract liabilities ceded to reinsurers		11,890	(5,843)
Net benefits and claims		(5,446,024)	(5,456,633)
Fee and commission expense		(1,511,144)	(1,530,056)
Depreciation of property and equipment	3	(17,940)	(19,798)
Depreciation of right-of-use assets	4	(32,485)	(33,613)
Amortisation of intangible assets	5	(43,684)	(32,964)
Management expenses	23	(736,484)	(668,838)
Other operating expenses		(236,367)	(197,613)
Other expenses		(2,578,104)	(2,482,882)
Operating profit		633,952	897,364
Finance cost		(6,495)	(8,534)
Profit before taxation		627,457	888,830
Taxation	24	(179,217)	(149,024)
Net profit/Total comprehensive income for the year		448,240	739,806
Earnings per share (sen)			
Basic	25	448.24	739.81

The statement of profit or loss and other comprehensive income of the Company presented by funds is disclosed in Note 33.

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

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

	Note	Share capital RM'000	Retained earnings Non-Distributable* RM'000	Retained earnings Distributable RM'000	Retained earnings Total RM'000	Total equity RM'000
At 1 January 2021		100,000	1,076,714	791,758	1,868,472	1,968,472
Net profit/Total comprehensive income for the year		-	10,644	729,162	739,806	739,806
Group share-based payment transaction**			-	7,874	7,874	7,874
Dividends paid during the year	26	-	-	(613,000)	(613,000)	(613,000)
At 31 December 2021/ 1 January 2022		100,000	1,087,358	915,794	2,003,152	2,103,152
Net profit/Total comprehensive income for the year		-	9,122	439,118	448,240	448,240
Group share-based payment transaction**		-	-	5,521	5,521	5,521
Dividends paid during the year	26	-	-	(535,000)	(535,000)	(535,000)
At 31 December 2022		100,000	1,096,480	825,433	1,921,913	2,021,913
		Note 10	Note 11			

* Non-distributable retained earnings comprises of the surplus from non-participating life insurance business, net of deferred tax. This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer a requisite amount of the Life fund surplus to the shareholder's fund.

** Group share-based payment transaction is the recognition of the settlement of share option scheme granted by the ultimate holding company, Prudential plc, to the eligible agents.

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2022

	2022 RM'000	2021 RM'000
Cash flows from operating activities		
Profit before taxation	627,457	888,830
Adjustments for:		
Gain on disposal of property and equipment	-	(92)
Gain on disposal of asset classified as held for sale	(2,616)	(1,760)
Property and equipment adjustment / written off	2,785	1,457
Intangible assets written off	732	10,115
Allowance for impairment loss on other receivables	11,489	13,374
Fair value loss on investments	1,466,724	1,606,546
Depreciation of property and equipment	17,940	19,798
Depreciation of right-of-use assets	32,485	33,613
Amortisation of intangible assets	43,684	32,964
Interest expense on lease liabilities	6,495	8,534
Operating profit before changes in working capital	2,207,175	2,613,379
Changes in operating assets and liabilities:		
Investments	(2,094,963)	(3,515,484)
Insurance receivables	4,483	(29,330)
Other receivables	(63,735)	99,807
Insurance contract liabilities	817,619	1,605,173
Reinsurance asset/liabilities	(11,890)	5,843
Provisions	90,050	91,902
Insurance payables	(19,352)	55,103
Other payables	(1,399)	77,983
Cash generated from operations	927,988	1,004,376
Tax paid	(327,745)	(235,177)
Net cash from operating activities	600,243	769,199
Cash flows from investing activities		
Acquisition of property and equipment	(15,663)	(24,973)
Acquisition of intangible assets	(19,471)	(55,027)
Proceeds from disposal of property and equipment	-	92
Proceeds from disposal of asset classified as held for sale	2,912	3,292
Net cash used in investing activities	(32,222)	(76,616)
Cash flows from financing activities		
Interest paid on lease liabilities	(6,495)	(8,534)
Payment of lease liabilities	(33,524)	(27,908)
Dividend paid to owners of the Company	(535,000)	(613,000)
Net cash used in financing activities	(575,019)	(649,442)
Net (decrease)/increase in cash and bank balances	(6,998)	43,141
Cash and bank balances at beginning of year	77,743	34,602
Cash and bank balances at end of year	70,745	77,743

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

Prudential Assurance Malaysia Berhad

(Company No. 198301012262 (107655-U))
(Incorporated in Malaysia)

Notes to the financial statements

Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Registered office
Level 26, Menara Prudential
Persiaran TRX Barat
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia

Principal place of business
Tun Razak Exchange Headquarter Counter
Ground Floor, Menara Prudential,
55188 Tun Razak Exchange
Kuala Lumpur, Malaysia

The Company is principally involved in the underwriting of life insurance business, which includes linked business and, related thereto, the investment of funds. There has been no significant change in the nature of these principal activities during the year.

The holding company is Sri Han Suria Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

These financial statements were approved by the Board of Directors on 17 March 2023.

1. Basis of preparation

(a) Statement of compliance

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

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

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

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

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

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

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

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the abovementioned accounting standard and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

(i) MFRS 9, *Financial Instruments*

In November 2014, the MASB issued MFRS 9, *Financial Instruments*. The Standard is applicable for annual periods beginning on or after 1 January 2018.

In 2016, the MASB published amendments to MFRS 4, *Insurance Contracts*: *Applying MFRS 9 with MFRS 4* to address concerns arising from the different effective dates of MFRS 9 and MFRS 17, *Insurance Contracts*. The amendments include an optional temporary exemption from applying MFRS 9 and the associated amendments until MFRS 17 comes into effect.

The Company met the eligibility criteria for temporary exemption under the amendments to MFRS 4 from applying MFRS 9 and has accordingly deferred the adoption of MFRS 9.

This temporary exemption from applying MFRS 9 is available to companies whose predominant activity is to issue insurance contracts based on the eligibility criteria at 31 December 2015 as set out in the amendments. At 31 December 2015, the percentage of total carrying amount of the Company's liabilities connected with insurance relative to its total liabilities was greater than 90 per cent.

When adopted, MFRS 9 replaces the existing MFRS 139, *Financial Instruments – Recognition and Measurement* and will affect the following areas:

The classification and the measurement of financial assets and liabilities

MFRS 9 redefines the classification of financial assets. Based on the way in which the assets are managed in order to generate cash flows and their contractual cash flow characteristics (whether the cash flows represent ‘solely payments of principal and interest’), financial assets are classified into one of the following categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). An option is also available at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces accounting mismatches.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

The classification and the measurement of financial assets and liabilities (continued)

Under MFRS 139, 88 per cent of the Company's financial investments are valued at FVTPL and the Company's current expectation is that the vast majority of its investments will continue to be classified as such under MFRS 9.

The existing MFRS 139 amortised cost measurement for financial liabilities is largely maintained under MFRS 9. For financial liabilities designated at FVTPL, MFRS 9 requires changes in fair value due to changes in the entity's own credit risk to be recognised in other comprehensive income.

The calculation of the impairment charge relevant for financial assets held at amortised cost

A new impairment model based on an expected credit loss approach replaces the existing MFRS 139 incurred loss impairment model, resulting in earlier recognition of credit losses compared to MFRS 139. This aspect is the most complex area of MFRS 9 to implement and will involve significant judgements and estimation processes. The Company is currently assessing the scope of assets to which these requirements will apply but as noted above it is currently expected that the majority of assets will be held at FVTPL to which these requirements will not apply.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

The fair value information of the Company's financial assets as of 31 December 2022 with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis are shown in the table below, together with all other financial assets.

	Financial assets that pass the SPPI test		All other financial assets	
Financial assets on the Company's statement of financial position	**Fair value 2022 RM'000**	**Movement in the fair value during the year RM'000**	**Fair value 2022 RM'000**	**Movement in the fair value during the year RM'000**
Investments				
Malaysian government securities	-	-	3,912,280	(145,499)
Debt securities	-	-	13,022,640	(314,983)
Equity securities	-	-	15,110,118	(446,291)
Unit and property trust funds	-	-	1,300,364	(16,049)
Foreign managed funds	-	-	3,195,431	(523,666)
Investment in structured products	-	-	5,506	50
Derivatives	-	-	8,954	(20,286)
Loans	610,005	-	-	-
Deposits with financial institutions	4,327,423	-	-	-
Insurance receivables	129,542	-	-	-
Other receivables	424,142	-	-	-
Cash and bank balances	70,745	-	-	-
Total financial assets	5,561,857	-	36,555,293	(1,466,724)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 17, *Insurance Contracts*

MFRS 17 ‘Insurance Contracts’ became effective on 1 January 2023 and replaces the MFRS 4 ‘Insurance Contracts’. MFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2012 MFRS 17 replaced this with a new measurement model that significantly changes the way insurance and reinsurance contracts held are accounted for, albeit the scope and definition of an insurance contract in MFRS 17 and MFRS 4 are very similar. Therefore, all of the Company’s insurance contracts accounted under MFRS 4 will be accounted for under MFRS 17. The transition date of the Company for MFRS 17 was 1 January 2022. The Company has adopted MFRS 17 on its mandatory effective date on 1 January 2023, alongside the adoption of MFRS 9.

Overview of MFRS 17

MFRS 17 requires liabilities for insurance contracts to be measured as the total of:

- fulfilment cash flows, comprising the best estimate of the present value of future cash flows within the contract boundary that are expected to arise and an explicit risk adjustment for non-financial risk; and
- a contractual service margin (CSM) that is representing the deferral of any day-one gains arising on initial recognition.

Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and year of issuance, with further divisions for contracts that are managed separately.

The establishment of CSM on the Company’s in-force business and transition approach

Transition refers to the determination of the opening balance sheet for the first year of comparative information presented under MFRS 17 (i.e. at 1 January 2022). The future cash flows and risk adjustment are measured on a current basis in the same manner as they would be calculated for subsequent measurement. The key component of transition is therefore the determination of the CSM.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

The establishment of CSM on the Company's in-force business and transition approach (continued)

The standard requires MFRS 17 to be applied retrospectively (the "full retrospective approach") unless impracticable. If a full retrospective approach is impracticable there is an option to choose either a modified retrospective approach or a fair value approach. If reasonable and supportable information necessary to apply the modified retrospective approach is not available, the fair value approach must be applied. Majority of the groups of insurance contracts of the Company based on CSM at transition transitioned under the retrospective approaches (with the majority being on the full retrospective approach). The fair value approach is applied on the remainder, which generally represent groups of insurance and reinsurance contracts held where suitable historical information required to apply the retrospective transition approaches is no longer practicably available.

Profit for insurance contracts under MFRS 17

MFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement.

Profit for insurance contracts under MFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and the excess of the actual investment return in the period over the effect of the unwinding of the rate used to discount the groups of contracts measured using the General Measurement Model (GMM). CSM is released in line with coverage units that are a measure of the quantity of benefits provided under a contract and the period over which coverage is provided.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. Under MFRS 17 insurance contracts are measured under either the GMM, the Variable Fee Approach (VFA) for contracts with direct participating features or the simplified Premium Allocation Approach (PAA). The Company predominantly uses the VFA and GMM, depending on the specific characteristics of the insurance contracts. Reinsurance contracts held are mostly measured under the GMM. The Company makes very limited use of the PAA for some small portfolios of short duration contracts.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

Profit for insurance contracts under MFRS 17 (continued)

The fulfilment cash flows comprise the best estimate of the present value of future cash flows within the contract boundary that are expected to arise and an explicit risk adjustment for non-financial risk. The discount rate applied to derive the present value of future cash flows is determined on a bottom-up basis, starting with a liquid risk-free yield curve and adding an illiquidity premium to reflect the characteristics of the insurance contracts. The risk adjustment reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts, determined by the Company using a confidence level approach.

The fulfilment cash flows are updated each reporting date to reflect current conditions. For contracts with direct participating features which are accounted for under the VFA, the CSM represents the variable fee to shareholders and it is adjusted to reflect the effect of economic and non-economic experience variances and assumptions changes relating to future services. For contracts accounted for under GMM, the CSM is accreted using the locked-in discount rates and only adjusted to reflect the effect of non-economic experience variances and assumptions changes relating to future services. The adjustments to the CSM are determined using the locked-in discount rates.

Expected impact on transition (1 January 2022)

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

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

Under MFRS 17, amounts recognised in the statement of profit or loss and other comprehensive income are disaggregated into an insurance service result, comprising insurance revenue and insurance service expenses; and insurance finance income or expenses. Amounts from reinsurance contracts held will be presented separately.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

Expected impact on transition (1 January 2022) *(continued)*

The Company is adopting MFRS 17 retrospectively to its 2022 comparatives as required by the standard.

The Company is yet to complete production and audit of its MFRS 17 opening balance sheet and 2022 comparatives and unable to provide a reliable estimate at the date of this report. MFRS 17 remains subject to developments in market practice or additional interpretative guidance and therefore the impacts discussed above are subject to change prior to finalisation of the Company's financial statements for the year ending 31 December 2023.

(b) Basis of measurement

The financial statements of the Company have been prepared on a historical cost basis, other than as disclosed in Note 2(f)(ii).

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

Note 2(f)(ii) and Note 31	- Fair value measurement of financial instruments
Note 2(u)	- Valuation of life insurance contract liabilities

2. 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) Foreign currency transaction

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 reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are not translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Property and equipment

(i) Recognition and measurement

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses. Other items of property and equipment are stated at cost less any accumulated depreciation and accumulated impairment losses, if any.

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. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Capital work-in-progress contains all costs incurred on assets that are not yet completed to working condition. When the assets have been completed to working condition and are ready for its intended use, all related costs under the capital work-in-progress will be transferred to the relevant components of property and equipment or intangible assets.

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.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within “realised gains and losses” in profit or loss.

2. Significant accounting policies (continued)

(b) Property and equipment (continued)

(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 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. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

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

Buildings	50 years
Motor vehicles	5 years
Computer equipment	5 years
Office furniture, fittings and equipment	10 years

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

(c) Leases

(i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

2. Significant accounting policies (continued)

(c) Leases (continued)

(i) Definition of a lease (continued)

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

(ii) Recognition and initial measurement

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date or date the asset is available for use, whichever is earlier. 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. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

2. Significant accounting policies (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

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

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property 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, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

2. Significant accounting policies (continued)

(d) Intangible asset

(i) Recognition and measurement

Intangible assets comprise software development costs, computer software and licenses.

Intangible assets that are acquired by the Company are measured on initial recognition at cost. Cost includes expenditures that are directly attributable to acquisition of the intangible assets such as licenses, development, major enhancement, technical knowledge, design and implementation of new processes or systems etc. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation except for software-in-development which is not subject to amortisation until the development is completed and the asset is available for use. Software-in-development is part of the capital work-in-progress under property and equipment. It will subsequently transfer to intangible asset when the development has been completed and ready for its intended use.

(ii) Amortisation

All intangible assets are amortised from the date they are available for use over the useful economic life. The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each reporting period. Changes in the estimated useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in the accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss.

(iii) Computer software and licenses

The useful lives of computer software and licenses are considered to be finite because computer software and licenses are susceptible to technology or commercial obsolescence and subject to certain expected capacity and usage beyond which the performance may not be at the optimum level.

The acquired computer software and licenses are amortised using the straight-line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at the end of each reporting date.

2. Significant accounting policies (continued)

(e) Investment in subsidiaries

The Company consolidates those investees it is deemed to control. The Company has control over an investee if all three of the following are met: (1) it has power over an investee; (2) it is exposed to, or has rights to, variable returns from its involvement with the investee; and (3) it has ability to use its power over the investee to affect its own returns.

The Company invests in collective investment schemes, which invest mainly in equities, bonds, cash and cash equivalents. In assessing control under *MFRS 10 Consolidated Financial Statements*, the Company determines whether it is acting as principal or agent and the variable returns from its involvement with these collective investment schemes (the "entities"). The Company's percentage ownership in these entities can fluctuate on a daily basis according to the participation of the Company and other investors in them.

- Where the Company's ownership holding in the entity exceeds 50 per cent, the Company is judged to have control over the entity;

- Where the Company's ownership holding in the entity is between 20 per cent and 50 per cent, the facts and circumstances of the Company's involvement in the entity are considered in forming a judgement as to whether the Company has control over the entity;

- Where the Company's ownership holding in the entity is less than 20 per cent, the Company is judged to not have control over the entity.

The Company holds significant holdings in some of the collective investment schemes which requires consolidation in accordance with *MFRS 10*. In view of the criteria set out in paragraph 4 and MY4.1 of *MFRS 10*, the Company is exempted from presenting the *consolidated financial statements* as the immediate holding company, Sri Han Suria Sdn. Bhd prepares *consolidated financial statements* in accordance with MFRS in Malaysia.

2. Significant accounting policies (continued)

(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. In the event an embedded derivative is recognised separately, the host contract 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 and measures financial instruments as follows:

Financial assets

(a) Fair value through profit or loss

Fair value through profit or loss ("FVTPL") category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition. Investments typically bought with the intention to sell in the near future are classified as held-for-trading ("HFT"). For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset-liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

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

Financial assets (continued)

(a) Fair value through profit or loss (continued)

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value with the gain or loss recognised in profit or loss.

(b) Loans and receivables ("LAR"), excluding insurance receivables

LAR category comprises debt instruments that are not quoted in an active market.

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

(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.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(g)(ii).

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(g)(i)).

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

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

Financial liabilities

All financial liabilities are initially measured at fair value and 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 otherwise be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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

(iii) Regular way purchase or sale of financial assets

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

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

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

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(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 financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount 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 expired. 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 (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(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 an unquoted equity instrument that is carried at cost 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 current market rate of return for a similar financial asset.

2. Significant accounting policies (continued)

(g) Impairment (continued)

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

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

(iii) Other assets

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

2. Significant accounting policies (continued)

(g) Impairment (continued)

(iii) Other assets (continued)

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 unit.

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 profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the 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 financial year in which the reversals are recognised.

(h) Equity instruments

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

Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(i) Product classification

The Company issues life insurance contracts that transfer significant insurance risk from policyholders to the Company. These are classified as insurance contracts.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Disclosures on the various life insurance contracts are classified into the principal components as follows:

- Life insurance participating contracts
- Life insurance non-participating contracts
- Investment-linked contracts

The Company does not unbundle any insurance contracts as its accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

(i) Life insurance participating contracts

Insurance contracts that contain discretionary participating features (“DPF”) are classified as participating policies. The DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

(a) that could be a significant portion of the total contractual benefits;
(b) whose amount and/or timing is contractually at the discretion of the Company;
(c) that are based on realised and/or unrealised investment returns on a specified pool of assets; and
(d) that are based on the performance of a specified pool of contracts or a specified type of contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policyholders.

The DPF is classified as a liability in the Company’s statement of financial position and as part of claims and benefits incurred in the profit or loss, as it does not recognise the guaranteed element separately.

2. Significant accounting policies (continued)

(i) Product classification (continued)

(ii) Life insurance non-participating contracts

Non-participating contracts are contracts that contain no discretionary benefits. All benefits under non-participating contracts are guaranteed at the outset. Variable benefits, if any, are formula-based, using relevant market data, as disclosed in the product terms and conditions. For protection based contracts, the Company usually guarantee a fixed level of benefit that is payable upon a claim event (e.g., death, disability, critical illness). In return, the policyholders will pay contractual premiums over the term of the contract which are reviewable on policy anniversary for certain products and riders.

(iii) Investment-linked contracts

Investment-linked contracts are contracts that transfer only insurance risk from policyholders to the Company. Whilst the insurance risk arising from the protection coverage is borne by the Company, the investment risk is predominantly borne by the policyholders. Policyholders of investment-linked contracts use their premium, after charges (if any) to purchase units in investment funds which are set up by the Company. Charges for insurance protection coverage and administration are deducted from the policyholders' investment fund balances by way of cancellation of units. The charges for insurance protection coverage include mortality and morbidity charges.

(j) Life insurance underwriting results

Surplus transfer

The surplus transferable from the Life fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

Premium income

Premium is recognised as soon as the amount of the premium can be reliably measured.

i) ***Investment-linked business***

First premium income is recognised on the assumption of risk and subsequent premiums are recognised on a cash basis. Subsequent risk is assumed based on sufficiency of units of the policyholder.

ii) ***Non-linked business***

First premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured and are recoverable.

2. Significant accounting policies (continued)

(j) Life insurance underwriting results (continued)

Reinsurance premium

Gross reinsurance premium are recognised as an expense when payable or on the date on which the policy is effective.

Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the profit or loss in the period in which they are incurred.

Benefits, claims and expenses

Claims and settlement costs that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates.

(b) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

(c) for accident and health business, provision is made for the cost of claims, together with related expenses, and Incurred but Not Reported ("IBNR") is estimated at reporting date, using a mathematical method of estimation by the Appointed Actuary based on past claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

2. Significant accounting policies (continued)

(k) Life insurance liabilities

The insurance liabilities for contracts held within the participating insurance fund are taken as the higher of the following at the fund level:

(i) sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the risk-free discount rate.

(ii) sum of the present value of future guaranteed and non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at a suitable rate, taking into account historical yields and the future investment outlook of the fund.

The insurance liabilities for traditional non-participating and Universal Life contracts are determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the risk-free discount rate. For Universal Life type policies, the liabilities also include the policy accounts and an appropriate amount to cover the guaranteed minimum benefits offered under certain contracts, calculated using a stochastic method.

For investment-linked policies, insurance liabilities were set up based on a cash flow projection method set to ensure that any future negative cash flows that would otherwise arise are eliminated. The liabilities also include the unit reserve and an appropriate amount to cover the guaranteed minimum benefits offered under certain contracts, calculated using a stochastic method.

The insurance liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating and investment-linked life policies, and the valuation of guaranteed benefits insurance liabilities of participating life policies.

The valuation of insurance contract liabilities is determined according to the RBC Framework which meets the requirement of liability adequacy test under MFRS 4.

The unallocated surplus on participating insurance fund remains to be presented as part of life insurance liabilities, in accordance with the requirements of the BNM's Guidelines on Financial Reporting (BNM/RH/PD 032-13).

The unallocated surpluses of the non-participating and investment-linked life insurance businesses of the Company represent the residual shareholder interest in the assets of the non-participating and investment-linked life funds after consideration of all liabilities. It comprises of surplus arising within the life funds but not yet transferred to the shareholder's fund and the amount is only distributed upon recommendation by the Appointed Actuary at financial year end.

2. Significant accounting policies (continued)

(l) 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.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. 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 is recorded in profit or loss.

Reinsurance liabilities represent the portion of the negative life insurance contract liabilities under coinsurance agreement.

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

(m) Employee benefits

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.

The Company’s contributions to the Employee’s Provident Fund (“EPF”) are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

Gratuities payable to entitled employees are computed based on a certain percentage of the monthly basic salaries and are remitted to the EPF when due.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits held with financial institutions 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. It excludes deposits which are held for investment purpose.

2. Significant accounting policies (continued)

(o) Non-current asset held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property and equipment once classified as held for sale are not depreciated.

(p) Provision

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.

Long-term life field agents benefits

The Company is also obligated under the agreement with the life field agents to pay retirement benefits to eligible agents upon retirement. Such retirement benefits have been provided for in the financial statements to the extent of the Company's contractual liability.

(q) Other revenue recognition

Interest on loans is recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayment is in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

2. Significant accounting policies (continued)

(q) Other revenue recognition (continued)

Dividend is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Gains or losses arising on disposal of investments are credited or charged to the profit or loss.

(r) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted by the end of the reporting date, 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 base. Deferred tax is not recognised for temporary differences arises from 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.

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 the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2. Significant accounting policies (continued)

(t) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Significant accounting judgements, estimates and assumptions

Valuation of life insurance contract liabilities (including investment contract liabilities with DPF)

The liability for life insurance contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's current best estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, persistency rates and discount rates. The Company base mortality and morbidity rates on established industry tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future maintenance expenses are based on current expense levels, adjusted for expected expense inflation adjustments, as appropriate.

Persistency rates are based on the Company's recent historical experience of lapses, surrenders, premium persistency and partial withdrawals.

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian government security. In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

2. Significant accounting policies (continued)

(v) Fair value measurements

Fair value of an asset or a liability, except for lease transaction, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions 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.

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

(w) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating segments' results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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3. Property and equipment

Cost	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2021	8,728	56,504	1,779	60,986	167,162	190,532	485,691
Additions	-	-	-	1,282	-	23,691	24,973
Disposal	-	-	(338)	-	-	-	(338)
Written off	-	-	-	(984)	(5,964)	-	(6,948)
Transfer from capital work-in-progress #	-	-	-	1,518	11,704	(106,246)	(93,024)
Transfer to assets held for sale (Note 6)	-	(373)	-	-	-	-	(373)
At 31 December 2021/1 January 2022	8,728	56,131	1,441	62,802	172,902	107,977	409,981
Additions	-	-	-	107	37	15,519	15,663
Written off	-	-	-	(1,354)	(1,397)	(2,524)	(5,275)
Transfer from capital work-in-progress #	-	-	-	1,997	15,369	(50,672)	(33,306)
At 31 December 2022	8,728	56,131	1,441	63,552	186,911	70,300	387,063

\# In relation to certain capital work-in-progress and computer software that were reclassified to intangible assets. See Note 5.

3. Property and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation							
At 1 January 2021	-	24,189	1,571	50,314	86,447	-	162,521
Charge for the year	-	1,186	169	5,642	12,801	-	19,798
Disposal	-	-	(338)	-	-	-	(338)
Written off	-	-	-	(898)	(4,593)	-	(5,491)
Transfer to assets held for sale (Note 6)	-	(77)	-	-	-	-	(77)
At 31 December 2021/1 January 2022	-	25,298	1,402	55,058	94,655	-	176,413
Charge for the year	-	1,186	38	3,632	13,084	-	17,940
Written off	-	-	-	(1,284)	(1,206)	-	(2,490)
At 31 December 2022	-	26,484	1,440	57,406	106,533	-	191,863
Net carrying amounts							
At 1 January 2021	8,728	32,315	208	10,672	80,715	190,532	323,170
At 31 December 2021/1 January 2022	8,728	30,833	39	7,744	78,247	107,977	233,568
At 31 December 2022	8,728	29,647	1	6,146	80,378	70,300	195,200

3. Property and equipment (continued)

Included in property and equipment are the costs of the following fully depreciated assets which are still in use:

	2022 RM'000	2021 RM'000
At cost		
Motor vehicles	1,441	1,063
Computer equipment	50,407	42,996
Office furniture, fittings and equipment	51,062	44,235
	102,910	88,294

The strata titles of land and buildings with a cost of RM8,103,953 (2021: RM8,103,953) are in the process of being transferred to the Company.

4. Right-of-use assets

	Leasehold land RM'000	Lease buildings RM'000	Total RM'000
Carrying amount			
At 1 January 2021	1,845	176,128	177,973
Additions	-	14,725	14,725
Derecognition	-	(1,617)	(1,617)
Depreciation	(111)	(33,502)	(33,613)
At 31 December 2021/1 January 2022	1,734	155,734	157,468
Additions	-	23,217	23,217
Derecognition	-	(6,605)	(6,605)
Depreciation	(111)	(32,374)	(32,485)
At 31 December 2022	1,623	139,972	141,595

The strata title of a leasehold land with a cost of RM80,000 (2021: RM80,000) is in the process of being transferred to the Company.

(a) Extension options

Headquarters office building

The headquarters office building lease contains an extension option exercisable by the Company up to nine years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessor. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension option. The Company will reassess whether it is reasonably certain to exercise the option if there is a significant event or change in circumstances within its control.

4. Right-of-use assets (continued)

(a) Extension options (continued)

Branch and agency office premises

The branch and agency office premises leases contain extension options exercisable by the Company ranging from 1 year to 3 years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension option held is exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company will reassess whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

	Lease liabilities recognised (discounted) RM'000	Potential future lease payment not included in lease liabilities (discounted) RM'000	Historical rate of extension options %
Lease buildings	148,541	120,483	32

5. Intangible assets

	Software and licenses RM'000
Cost	
At 1 January 2021	292,217
Additions	55,027
Written off	(12,527)
Transfer from capital work-in-progress #	93,024
At 31 December 2021/1 January 2022	427,741
Additions	19,471
Written off	(920)
Transfer from capital work-in-progress #	33,306
At 31 December 2022	479,598
Amortisation	
At 1 January 2021	89,259
Amortisation for the year	32,964
Written off	(2,412)
At 31 December 2021/1 January 2022	119,811
Amortisation for the year	43,684
Written off	(188)
At 31 December 2022	163,307

In relation to certain capital work-in-progress and computer software that were reclassified from property and equipment. See Note 3.

5. Intangible assets (continued)

	Software and licenses RM'000
Carrying amounts	
At 1 January 2021	202,958
At 31 December 2021/1 January 2022	307,930
At 31 December 2022	316,291

Included in intangible assets are the costs of the following fully depreciated assets which are still in use:

	2022 RM'000	2021 RM'000
At cost	24,856	24,862

6. Assets classified as held for sale

	Building RM'000
At 1 January 2021	1,532
Transferred from property and equipment (Note 3)	296
Disposal	(1,532)
At 31 December 2021/1 January 2022	296
Disposal	(296)
At 31 December 2022	-

7. Investments

	2022 RM'000	2021 RM'000
Malaysian government securities	3,912,280	4,040,853
Debt securities	13,022,640	13,422,416
Equity securities	15,110,118	14,989,294
Unit and property trust funds*	1,300,364	1,091,892
Foreign managed funds*	3,195,431	2,853,871
Investment in structured products	5,506	6,200
Derivatives	8,954	1,920
Loans	610,005	621,704
Deposits with financial institutions	4,327,423	3,836,332
	41,492,721	40,864,482

* Included in unit and property trust funds and foreign managed funds are the Company's investments in Collective Investment Scheme (CIS). The Company holds significant holdings in some of the funds and thus has control over the CIS. The list of significant holdings in unit and property trust funds and foreign managed funds are as follows:

	2022 Proportion held
Eastspring Investments Asian High Yield Bond Fund	80%
Eastspring Investments Global Equity Fund	90%
Eastspring Investments Asia Pacific ex-Japan Target Return Fund	76%
Eastspring Investments Global Equity Navigator Fund Class D	69%
Eastspring Investments Dragon Peacock Fund Class D	96%

In view of the criteria set out in paragraph 4 and MY4.1 of MFRS 10, the Company is exempted from presenting *Consolidated financial statements*. The *Consolidated financial statements* will be presented by Sri Han Suria Sdn. Bhd, its immediate holding company.

7. Investments (continued)

The Company's financial investments are summarised by categories as follows:

	2022 RM'000	2021 RM'000
Loans and receivables ("LAR")	4,937,428	4,458,036
Held-for-trading ("HFT")	36,555,293	36,406,446
	41,492,721	40,864,482

The following investments mature after 12 months:

	2022 RM'000	2021 RM'000
LAR	91,378	293,833
HFT	16,597,038	16,264,707
	16,688,416	16,558,540

(a) LAR

	2022 RM'000	2021 RM'000
Amortised cost		
Fixed and call deposits with financial institutions	4,327,423	3,836,332
Policy loans	594,928	606,032
Mortgage loans	1,353	2,209
Unsecured loans	13,724	13,463
	4,937,428	4,458,036

(b) HFT

	2022 RM'000	2021 RM'000
Fair value		
Malaysian government securities	3,912,280	4,040,853
Debt securities	13,022,640	13,422,416
Equity securities	15,110,118	14,989,294
Unit and property trust funds	1,300,364	1,091,892
Foreign managed funds	3,195,431	2,853,871
Investment in structured products	5,506	6,200
Derivatives	8,954	1,920
	36,555,293	36,406,446

7. Investments (continued)

(c) Carrying values of financial instruments

	LAR RM'000	HFT RM'000	Total RM'000
At 1 January 2021	4,328,189	34,627,355	38,955,544
Purchases/Placements	277,312,200	9,548,212	286,860,412
Maturities	(277,165,120)	(1,684,758)	(278,849,878)
Disposals	-	(4,477,106)	(4,477,106)
Fair value losses recorded in:			
Profit or loss	-	(1,606,546)	(1,606,546)
New loans	192,305	-	192,305
Redemption or repayment	(209,459)	-	(209,459)
Interest receivable	(79)	-	(79)
Movement in foreign exchange rate	-	(711)	(711)
At 31 December 2021/ 1 January 2022	4,458,036	36,406,446	40,864,482
Purchases/Placements	317,589,883	13,063,790	330,653,673
Maturities	(317,098,792)	(767,277)	(317,866,069)
Disposals	-	(10,681,748)	(10,681,748)
Fair value losses recorded in:			
Profit or loss	-	(1,466,724)	(1,466,724)
New loans	151,390	-	151,390
Redemption or repayment	(163,089)	-	(163,089)
Movement in foreign exchange rate	-	806	806
At 31 December 2022	4,937,428	36,555,293	41,492,721

8. Insurance receivables

	2022 RM'000	2021 RM'000
Due premiums including agents/brokers and co-insurers balances	50,525	36,823
Due from reinsurers and cedants	79,017	97,202
	129,542	134,025

(a) Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purposes:

	Gross amount RM'000	Balances that are set off RM'000	Net carrying amount in the statement of financial position RM'000
2022			
Due from reinsurers and cedants	316,237	(237,220)	79,017
Due to reinsurers and cedants	(237,220)	237,220	-
	79,017	-	79,017
2021			
Due from reinsurers and cedants	285,785	(188,583)	97,202
Due to reinsurers and cedants	(188,583)	188,583	-
	97,202	-	97,202

Certain amounts due from reinsurers and cedants and amounts due to reinsurers and cedants were set off for presentation purposes because there are enforceable rights to set off or to realise the asset and settle the liability simultaneously.

9. Other receivables

	2022 RM'000	2021 RM'000
Other receivables, deposits and prepayments	172,295	120,347
Income due and accrued	216,742	229,691
Amounts due from related companies	35,105	21,858
	424,142	371,896

The amounts due from related companies are unsecured, interest free and receivable on demand.

10. Share capital

	Amount 2022 RM'000	Number of shares 2022 '000	Amount 2021 RM'000	Number of shares 2021 '000
Issued and fully paid with no par value:				
Ordinary shares				
At beginning and end of year	100,000	100,000	100,000	100,000

11. Retained earnings

The Company may distribute single tier exempt dividend to its shareholder out of its distributable retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than the Company's Individual Target Capital Level or if the payment of dividend would impair its CAR position to below its individual target.

12. Insurance contract liabilities

	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
Life insurance	38,796,087	(502)	38,795,585	37,978,468	11,388	37,989,856
		Note 13			Note 13	

Life insurance

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

	Note	2022 Gross RM'000	2022 Reinsurance RM'000	2022 Net RM'000	2021 Gross RM'000	2021 Reinsurance RM'000	2021 Net RM'000
Actuarial liabilities		15,100,572	(502)	15,100,070	15,260,900	11,388	15,272,288
Net asset value attributable to unit holders	33	22,018,117	-	22,018,117	21,139,995	-	21,139,995
Provision for outstanding claims	12(a),12(b)	1,677,398	-	1,677,398	1,577,573	-	1,577,573
		38,796,087	(502)	38,795,585	37,978,468	11,388	37,989,856

12(a) The MCO IBNR claims provisions have been fully released as at 31 December 2022 (2021: RM147 million), in view that social and economic activities have largely restored to pre-pandemic levels. IBNR claims provisions were held previously for mortality, critical illness, and medical reimbursement claims, due to the delay in claims submissions during the COVID-19 pandemic and Movement Control Order ("MCO") periods.

12(b) An additional provision of RM37 million (2021: RM29 million) was set up for in-force policies and policies lapsed within 3 years which are identified as potential death claims as per industry wide exercise to match the policyholders' identification details with the death register provided by the National Registration Department ("JPN").

12. Insurance contract liabilities (continued)

Life insurance (continued)

	Non Par RM'000	Par RM'000	Unit Reserves RM'000	Non-Unit Reserves RM'000	Claim Liabilities RM'000	Total RM'000
At 1 January 2022	2,371,186	12,109,276	21,139,995	791,826	1,577,573	37,989,856
Valuation premiums	290,260	-	-	-	-	290,260
Premium received, net of reinsurance	-	1,132,670	2,696,757	(95,428)	-	3,733,999
Liabilities released for payments on death, surrender and other terminations	(757,960)	(899,881)	(1,445,421)	(38,383)	(4,689,233)	(7,830,878)
Claims incurred during the year	-	-	-	184,810	4,789,058	4,973,868
Accretion of interest	56,985	-	-	26,836	-	83,821
Other movements	(3,434)	-	-	30,574	-	27,140
New business	183,694	-	-	11,228	-	194,922
Change in valuation basis	(28,136)	-	-	(45,177)	-	(73,313)
Investment income	-	587,229	-	-	-	587,229
Expenses: Operating						
- Commission and agency expenses	-	(119,167)	-	-	-	(119,167)
- Management expenses	-	(128,091)	-	-	-	(128,091)
Other expense	-	(531,253)	-	-	-	(531,253)
Movement in tax	-	(6,610)	-	-	-	(6,610)
Policyholder's liability	11,556	-	-	-	-	11,556
Net asset value attributable to unit holders (Note 33)	-	-	(373,214)	-	-	(373,214)
Transfer to shareholder's fund	-	(34,540)	-	-	-	(34,540)
At 31 December 2022	2,124,151	12,109,633	22,018,117	866,286	1,677,398	38,795,585

12. Insurance contract liabilities (continued)

Life insurance (continued)

	Non Par RM'000	Par RM'000	Unit Reserves RM'000	Non-Unit Reserves RM'000	Claim Liabilities RM'000	Total RM'000
At 1 January 2021	2,675,777	11,951,090	19,734,826	742,098	1,275,049	36,378,840
Valuation premiums	272,974	-	-	-	-	272,974
Premium received, net of reinsurance	-	1,137,701	2,671,374	(85,059)	-	3,724,016
Liabilities released for payments on death, surrender and other terminations	(577,416)	(846,814)	(1,271,403)	(45,056)	(3,892,124)	(6,632,813)
Claims incurred during the year	-	-	-	175,230	4,194,648	4,369,878
Accretion of interest	73,209	-	-	14,259	-	87,468
Other movements	8,373	-	-	33,659	-	42,032
New business	75,247	-	-	14,638	-	89,885
Change in valuation basis	(183,679)	-	-	(57,943)	-	(241,622)
Investment income	-	559,544	-	-	-	559,544
Expenses: Operating						
- Commission and agency expenses	-	(134,105)	-	-	-	(134,105)
- Management expenses	-	(118,838)	-	-	-	(118,838)
Other expense	-	(392,274)	-	-	-	(392,274)
Movement in tax	-	(14,162)	-	-	-	(14,162)
Policyholder's liability	26,701	-	-	-	-	26,701
Net asset value attributable to unit holders (Note 33)	-	-	5,198	-	-	5,198
Transfer to shareholder's fund	-	(32,866)	-	-	-	(32,866)
At 31 December 2021	2,371,186	12,109,276	21,139,995	791,826	1,577,573	37,989,856

13. Reinsurance assets/(liabilities)

	Note	2022 RM'000	2021 RM'000
Reinsurance of insurance contracts - non-current assets/(liabilities)	12	502	(11,388)

14. Deferred taxation

	Note	2022 RM'000	2021 RM'000
At 1 January		474,668	592,823
Recognised in profit or loss	24	(109,605)	(118,155)
At 31 December		365,063	474,668

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Movement in recognised temporary differences during the year presented after appropriate offsetting:

	At 1.1.2021 RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2021/ 1.1.2022 RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2022 RM'000
Property and equipment capital allowances	9,411	2,697	12,108	3,708	15,816
Fair value gains and losses	243,398	(124,215)	119,183	(116,193)	2,990
Unallocated surplus	340,014	3,363	343,377	2,880	346,257
Net tax liabilities	592,823	(118,155)	474,668	(109,605)	365,063

15. Provisions

	2022 RM'000	2021 RM'000
At 1 January	323,173	231,272
Provision for the year	130,053	132,715
	453,226	363,987
Utilised during the year	(40,003)	(40,814)
At 31 December	413,223	323,173
Payable after 12 months	373,262	291,921

Provisions consist of Retirement Gratuity Benefits payable to eligible life field agents upon retirement.

16. Insurance payables

	2022 RM'000	2021 RM'000
Due to agents and intermediaries	188,064	220,472
Advance premiums and premium deposits	207,205	194,149
	395,269	414,621

17. Other payables

	2022 RM'000	2021 RM'000
Other payables and accrued liabilities	572,063	569,429
Amounts due to related companies	68,670	78,224
	640,733	647,653

The amounts due to related companies are unsecured, interest free and repayable on demand.

18. Operating revenue

	Note	2022 RM'000	2021 RM'000
Gross earned premiums		8,216,174	7,963,238
Investment income	19	1,692,813	1,572,202
		9,908,987	9,535,440

19. Investment income

	2022 RM'000	2021 RM'000
Rental income	6,257	6,607
Financial assets at FVTPL - held for trading		
Interest income		
- Malaysian government securities	170,851	143,419
- Cagamas bonds	6,323	9,487
- Unquoted debentures, bonds and loan stocks of corporations	615,258	617,152
Dividend income		
- Equity securities quoted in Malaysia	698,928	623,340
- Equity securities unquoted in Malaysia	1,266	677
Financial assets at LAR		
Interest income		
- Fixed and call deposits	107,201	88,990
- Policy loans	40,037	42,209
- Mortgage loans	4	9
- Other loans	20	29
Others	46,668	40,283
	1,692,813	1,572,202

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20. Realised gains and losses

	2022 RM'000	2021 RM'000
Property and equipment		
Realised gain	-	92
Assets classified as held for sale		
Realised gain	2,616	1,760
FVTPL financial assets - held for trading		
Realised gains:		
Equity securities		
- quoted in Malaysia	519,882	611,805
Debt securities		
- unquoted in Malaysia	34,959	51,793
Other securities		
- collective investment scheme	96,652	306,670
- investment in structured products	22	637
Derivatives	2,815	1,042
	654,330	971,947
Realised losses:		
Equity securities		
- quoted in Malaysia	(747,561)	(402,475)
Debt securities		
- unquoted in Malaysia	(41,640)	(21,958)
Other securities		
- collective investment scheme	(45,389)	(6,676)
Derivatives	(18,008)	(1,762)
	(852,598)	(432,871)
Total net realised (losses)/gains from FVTPL financial assets	(198,268)	539,076
	(195,652)	540,928

21. Fair value losses

	2022 RM'000	2021 RM'000
Financial assets - held for trading	(1,466,724)	(1,606,546)

22. Fee and commission income

	2022 RM'000	2021 RM'000
Policyholder administration and investment management services	468,810	438,776

23. Management expenses

	Note	2022 RM'000	2021 RM'000
Employee benefits expense	23(a)	364,336	332,265
Directors' remuneration	23(b)	1,219	1,447
Auditors' remuneration:			
Audit fees		1,088	1,119
Audit-related services fees		100	112
Retirement benefits		6,875	6,177
Property and equipment written off		2,785	1,457
Intangible assets written off		732	10,115
Outsourcing fees (#)		12,228	18,971
Other expenses		340,702	290,304
Expenses relating to short-term and low-value leases		6,419	6,871
		736,484	668,838

- This amount is in relation to fees for outsourcing services provided by related companies.

(a) Employee benefits expense

	2022 RM'000	2021 RM'000
Wages and salaries	300,701	268,326
Social security contributions	1,311	1,250
Contributions to defined contribution plan, EPF	37,197	34,240
Other benefits	25,127	28,449
	364,336	332,265

(b) Chief Executive Officers and Directors' remuneration

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

	2022 RM'000	2021 RM'000
Chief Executive Officer:		
- Gan Leong Hin (retired on 31 December 2021)		
Fixed and variable remuneration	-	6,426
Shares and share-linked instruments	-	957
Estimated money value of benefits-in-kind	-	1,010
	-	8,393
- Lim Eng Seong (appointed w.e.f. 1 July 2021)		
Fixed and variable remuneration	5,791	1,156
Shares and share-linked instruments	2,120	1,179
Estimated money value of benefits-in-kind	26	70
	7,937	2,405
	7,937	10,798

23. Management expenses (continued)

(b) Chief Executive Officers and Directors' remuneration (continued)

	Note	2022 RM'000	2021 RM'000
Non-Executive Directors:			
- Abdul Khalil bin Abdul Hamid		315	315
- Foong Pik Yee		236	236
- Richard Patrick George Duxbury		18	224
- Soon Dee Hwee		38	224
- Anthony Albert Collingridge		232	212
- Chin Kwai Fatt		236	236
- Mohd Yuzaidi bin Mohd Yusoff		144	-
		1,219	1,447
		9,156	12,245
Amount included in employee benefits expense	28(b)	7,937	10,798

Non-Executive Directors only received director's fees as remuneration.

24. Taxation

	Note	2022 RM'000	2021 RM'000
Current income tax:			
Malaysian income tax		287,191	258,656
Under provision in prior years		1,631	8,523
		288,822	267,179
Deferred tax:			
Relating to origination and reversal of temporary differences			
Current year		(112,485)	(121,518)
Unallocated surplus		2,880	3,363
	14	(109,605)	(118,155)
		179,217	149,024

The income tax for the Shareholder's fund is calculated based on the tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on tax rate of 8% (2021: 8%) of the estimated assessable surplus for the financial year. The taxes of the respective funds are disclosed in Note 33 – Insurance funds.

24. Taxation (continued)

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

	2022 RM'000	2021 RM'000
Profit before taxation	627,457	888,830
Taxation at Malaysian statutory tax rate of 24%	150,590	213,319
Excess 9% tax charged on profit exceeding RM100 mil	47,471	-
Tax effect on investment income of the life fund	57,142	78,985
Income not subject to tax	(746,530)	(736,611)
Non-deductible expenses	687,303	660,533
Section 110B tax credit set-off and single tier tax relief*	(18,390)	(75,725)
Under provision in prior years	1,631	8,523
Tax expense for the year	179,217	149,024

* Section 110B tax credit set-off and single tier tax relief (only available up to YA2021) will only be available for utilisation as a relief to set-off against the transfer of a requisite amount of the Life fund surplus to shareholder's fund, which will be recommended by the Appointed Actuary at the end of the financial year.

(a) Messrs. Raja Darryl & Loh ("RDL") have filed the cause papers with the Special Commissioner of Income Tax ("SCIT") for the additional assessment issued by the Inland Revenue Board of Malaysia ("IRB") relating to the S110B set-off applied to the actuarial surplus arising from the Unit Linked Investment Funds being disregarded, amounting to RM26.9 million. The Company paid the full additional tax amount. The Company is of the view that there are strong justifications for its appeal against the matter raised by IRB and has treated the full payment as a tax recoverable. There are no further developments to date regarding this matter other than SCIT has fixed the next hearing to be on 2nd and 3rd October 2023.

(b) For profit commission related matters, the Company has received the Notice of Reduced Assessment (Form"JR") amounting to RM8.3 million for Year of Assessment ("YA") 2016 to 2019 on 16th December 2022 and has received approval from the IRB on 3rd February 2023, to utilise the said tax credit to set off part of the YA 2023 tax installments.

During the Malaysia Budget 2022 announcement on 29 October 2021, the Ministry of Finance introduced a one-off special tax under Cukai Makmur (also known as "prosperity tax") for YA2022. Companies with taxable income of more than RM100 million will be subjected to a one-off prosperity tax of 33% (instead of the standard 24% tax rate) on the taxable profit in excess of RM100 million.

25. Earnings per share

Basic earnings per share is calculated by dividing profit for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2022	**2021**
Profit attributable to ordinary shareholders (RM'000)	448,240	739,806
Weighted average number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	448.24	739.81

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares as at the reporting date.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

26. Dividends

Dividends recognised by the Company:

	Sen per share	**Total amount RM'000**	**Date of payment**
2022			
Final 2021 single tier	265.0	265,000	31 May 2022
Interim 2022 single tier	270.0	270,000	4 November 2022
		535,000	
2021			
Final 2020 single tier	243.0	243,000	3 June 2021
Interim 2021 single tier	370.0	370,000	10 November 2021
		613,000	

27. Capital commitments

The capital commitments are in respect of:
- property and equipment
- intangible assets
- relocation cost

	2022 RM'000	**2021 RM'000**
Authorised and contracted for	12,767	6,039

28. Related party disclosures

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year:

	2022 RM'000	2021 RM'000
Transactions:		
Outsourcing fees and other charges		
- Prudential Services Asia Sdn Bhd	5,860	16,304
- Prudential Services Singapore Pte Ltd	6,723	7,948
Recharge expenses		
- Prudential Corporation Holdings Limited	49,254	52,061
Recharge income		
- Prudential BSN Takaful Berhad	(110,250)	(88,440)
Management fees		
- Eastspring Investments Berhad	52,846	79,696
- Eastspring Al-Wara' Investments Berhad	2,115	4,260
Balances:		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(12,641)	(13,380)
- Prudential Holdings Limited	(143)	(1)
- Eastspring Investments (Singapore) Limited	(8)	-
- Prudential Corporation Holdings Limited	(44,215)	(56,415)
- Eastspring Al-Wara' Investments Berhad	(2,370)	(357)
- Prudential Services Singapore Pte Ltd	(9,293)	(8,071)
Amount due from related companies:		
- Prudential BSN Takaful Berhad	30,552	19,369
- Eastspring Investments Berhad	4,553	2,135
- Prudential Vietnam Assurance	-	354

(b) Compensation of senior management members

The remuneration of the senior management members during the year was as follows:

	Note	2022 RM'000	2021 RM'000
Short-term employee benefits		18,674	24,588
Contributions to defined contribution plan, EPF		2,792	2,978
Shares and share-linked instruments		6,769	10,517
		28,235	38,083
Included in the total senior management members are:			
Chief Executive Officers' remuneration	23(b)	7,937	10,798

29. Risk management framework

The Board of Directors assumes the overall responsibility for the Company's financial risk management. In order to fulfil this responsibility, the Board approves the overall framework for managing the risks faced by the Company. The Board Risk Management Committee is responsible for risk management strategies, policies and risk tolerance limits and meets every quarter to consider reports on key risks identified and the management of such risks.

Detailed policies and procedures exist at the Company and the items of particular relevance to financial risk management include:

i) Actuarial Procedures Manuals: Policies for all aspects of actuarial management including for regulatory reporting and asset-liability management.

ii) Financial Procedures Manuals: Financial control policies including for financial reporting, capital commitments and business planning.

iii) Investment Guidelines: Investment management policies including the setting out of mandates between the Company and its fund managers.

Capital management framework

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligation and regulatory requirement, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth.

The RBC Framework for the insurance industry came into effect on 1 January 2009. Under the RBC Framework, the insurer is responsible for setting an individual target capital level and maintaining the capital adequacy level above the target. The Company considers the business direction, the changing business environment and risk profile in setting the individual target capital level. The individual target capital level is higher than the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

In addition to satisfying the RBC Framework, the Company is also subject to Prudential Group's economic capital framework. Stress tests are conducted on the statement of financial position of the Company to ensure that the Company will have adequate economic capital to qualify for its targeted minimum financial strength rating in a comprehensive array of scenarios.

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

Governance and regulatory framework

The Company is required to comply with the requirements of the Financial Services Act 2013, relevant laws and guidelines from BNM and Life Insurance Association of Malaysia ("LIAM").

The Company is also required to comply with the Prudential Group's Corporate Governance Manual Framework. If there is any conflict with the local laws or regulations, the stricter will apply.

30. Insurance risk

Life insurance contracts

The risk under any insurance contract is the uncertainty as to when the insured event occurs and the severity of the claim.

Insurance risk to the Company includes mortality, morbidity, expenses, lapse and surrenders. Concentrations of insurance risk may arise from events such as catastrophe which could impact heavily on the Company's liabilities. Such concentrations may arise from a single insurance contract or through a group of related contracts, and relate to circumstances where significant liabilities could arise.

For life insurance participating contracts, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the policyholder.

For life insurance non-participating contracts, the risk arises from the Company's obligation to pay guaranteed policy benefits even when investment returns are poor, or when claim experience is worse than expected.

For investment-linked contracts, the investment risks are borne by policyholder while charges to cover the cost of insurance are usually fully reviewable to allow for any deterioration in experience.

The Company has in place policies, guidelines and limits in managing the insurance risk which include monitoring of actual experience, or using reinsurance to diversify risk and limit net losses potential. The Company has catastrophe reinsurance to limit the catastrophic losses.

The concentration of risk for each type of insurance contract is reflected by the insurance contract liabilities as disclosed in Note 12.

Multi-period stress test is performed annually to demonstrate the significant threats to the financial condition of the Company and the potential impact of the management actions. Through this exercise, the Company can make an informed decision on future business growth and risk management.

Key assumptions

The determination of insurance contract liabilities is dependent on the assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish contract liabilities which reflect best estimate assumptions and Provision of Risk Margin for Adverse Deviation ("PRAD").

Information on key assumptions to which the estimation of liabilities is sensitive is provided below.

Mortality

Mortality refers to the rates at which death occurs for a defined group of people. Insurance mortality assumptions are generally based on five-year averages of Company's own experience as well as industry past and emerging experience.

30. Insurance risk (continued)

Morbidity

Morbidity refers to both the rates of accidents or sickness and the rates of recovery therefrom. Generally, the assumptions are based on reinsurer's morbidity rates, adjusted to reflect Company's own experience.

Persistency

Insurance contracts are terminated through lapses and surrenders, where lapses represent termination of policies due to non-payment of premiums and surrender represent voluntary termination of policies by policyholder. Generally, persistency assumptions are based on five-year averages of the Company's own experience, with allowance for any trend after taking into account policyholders' behaviour. The assumption varies by product type and policy duration.

Discount rate

Generally, the time value of money is considered by discounting the insurance contract liabilities using risk free rate. The RBC Framework requires all insurers to use Malaysian government securities yield as the risk free rate.

Expenses

Insurance contract liabilities provide for future policy-related expenses which includes cost of premium collection, preparation and mailing of policy statements and related direct and indirect expenses and overheads. Expense assumptions are mainly based on the Company's recent experience using an internal expense allocation methodology. Future expense assumptions reflect inflation.

Sensitivities

The sensitivity analysis below shows the impact on shareholder's equity from movements in key assumptions used to value life insurance contract liabilities.

(Dr)/Cr	Change in assumptions %	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity net of tax RM'000
2022				
Risk-free discount rate	+1	(197,082)	201,912	153,453
Mortality/Morbidity	+10	204,147	(181,765)	(138,142)
Expenses	+10	46,235	(33,821)	(25,704)
Lapse and surrender rates	+10	(4,675)	(8,633)	(6,561)
2021				
Risk-free discount rate	+1	(205,026)	210,294	159,823
Mortality/Morbidity	+10	214,630	(193,213)	(146,842)
Expenses	+10	41,798	(30,871)	(23,462)
Lapse and surrender rates	+10	(8,810)	(5,495)	(4,177)

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

31. Financial risks

Credit risk

Credit risk is the risk of loss for the Company's business, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

The Company's exposure to credit risk arises mainly from investment in corporate debt securities as well as deposits placed with licensed financial institutions in Malaysia. To manage this, the Company evaluates minimum credit ratings of financial instruments issued and strict adherence to the credit exposure guidelines for fixed income securities and deposits.

There is no significant concentration of credit risk as at end of the reporting date.

Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

2022	**Note**	**Insurance and shareholder's funds RM'000**	**Investment -linked funds RM'000**	**Total RM'000**
LAR	7(a)			
Fixed and call deposits		2,821,203	1,506,220	4,327,423
Policy loans		594,928	-	594,928
Mortgage loans		1,353	-	1,353
Unsecured loans		13,724	-	13,724
Financial investments at FVTPL	7(b)			
Malaysian government securities		3,081,157	831,123	3,912,280
Debt securities		10,498,171	2,524,469	13,022,640
Investment in structured products		-	5,506	5,506
Derivatives		-	8,954	8,954
Insurance receivables	8	129,542	-	129,542
Other receivables	9	296,350	127,792	424,142
Cash and bank balances		40,027	30,718	70,745
		17,476,455	5,034,782	22,511,237

31. Financial risks (continued)

Credit risk (continued)

Credit exposure (continued)

2021	Note	Insurance and shareholder's funds RM'000	Investment -linked funds RM'000	Total RM'000
LAR	7(a)			
Fixed and call deposits		2,686,062	1,150,270	3,836,332
Policy loans		606,032	-	606,032
Mortgage loans		2,209	-	2,209
Unsecured loans		13,463	-	13,463
Financial investments at FVTPL	7(b)			
Malaysian government securities		3,177,438	863,415	4,040,853
Debt securities		10,705,328	2,717,088	13,422,416
Investment in structured products		-	6,200	6,200
Derivatives		-	1,920	1,920
Insurance receivables	8	134,025	-	134,025
Other receivables	9	308,326	63,570	371,896
Cash and bank balances		47,637	30,106	77,743
		17,680,520	4,832,569	22,513,089

Credit exposure by credit rating

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

2022	Investment grade*(BBB to AAA) RM'000	Non-Investment grade*(BB to D) RM'000	Not rated RM'000	Investment -linked funds RM'000	Total RM'000
LAR					
Fixed and call deposits	2,821,203	-	-	1,506,220	4,327,423
Policy loans	-	-	594,928	-	594,928
Mortgage loans	-	-	1,353	-	1,353
Unsecured loans	-	-	13,724	-	13,724
Financial investments at FVTPL					
Malaysian government securities	3,081,157	-	-	831,123	3,912,280
Debt securities	10,465,762	32,409	-	2,524,469	13,022,640
Investment in structured products	-	-	-	5,506	5,506
Derivatives	-	-	-	8,954	8,954
Insurance receivables	-	-	129,542	-	129,542
Other receivables	-	-	296,350	127,792	424,142
Cash and bank balances	39,620	-	407	30,718	70,745
	16,407,742	32,409	1,036,304	5,034,782	22,511,237

31. Financial risks (continued)

Credit risk (continued)

Credit exposure by credit rating (continued)

2021	Investment grade*(BBB to AAA) RM'000	Non-Investment grade*(BB to D) RM'000	Not rated RM'000	Investment-linked funds RM'000	Total RM'000
LAR					
Fixed and call deposits	2,686,062	-	-	1,150,270	3,836,332
Policy loans	-	-	606,032	-	606,032
Mortgage loans	-	-	2,209	-	2,209
Unsecured loans	-	-	13,463	-	13,463
Financial investments at FVTPL					
Malaysian government securities	3,177,438	-	-	863,415	4,040,853
Debt securities	10,665,505	39,823	-	2,717,088	13,422,416
Investment in structured products	-	-	-	6,200	6,200
Derivatives	-	-	-	1,920	1,920
Insurance receivables	-	-	134,025	-	134,025
Other receivables	-	-	308,326	63,570	371,896
Cash and bank balances	47,407	-	230	30,106	77,743
	16,576,412	39,823	1,064,285	4,832,569	22,513,089

* Based on public ratings assigned by external rating agencies including RAM Holdings ("RAM"), Malaysian Rating Corporation Berhad ("MARC") and other equivalent rating agencies.

The ageing of insurance and other receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2022			
Not past due	578,547	(24,863)	553,684
Past due 0 - 3 months	-	-	-
Past due 4 - 6 months	-	-	-
Past due 7 - 12 months	-	-	-
Past due more than 12 months	-	-	-
	578,547	(24,863)	553,684
2021			
Not past due	519,295	(13,374)	505,921
Past due 0 - 3 months	-	-	-
Past due 4 - 6 months	-	-	-
Past due 7 - 12 months	-	-	-
Past due more than 12 months	-	-	-
	519,295	(13,374)	505,921

31. Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate sufficient cash resources to meet its financial obligations as they fall due in business as usual and stress scenarios. Liquidity management seeks to ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrender, withdrawals, claims and maturing liabilities.

Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable.

For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

2022	**Carrying value RM'000**	**Under 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Insurance contract liabilities (net of reinsurance liabilities):						
Par	12,109,633	259,072	1,323,904	8,151,403	2,375,254	12,109,633
Non-par	2,124,151	168,557	84,151	324,265	1,547,178	2,124,151
Investment-linked:						
Non-unit	866,286	-	-	-	866,286	866,286
Unit	22,018,117	-	-	-	22,018,117	22,018,117
Provision for outstanding claims	1,677,398	1,677,398	-	-	-	1,677,398
Lease liabilities	148,541	14,084	69,427	83,129	-	166,640
Provisions	413,223	17,990	102,667	270,595	21,971	413,223
Insurance payables	395,269	395,269	-	-	-	395,269
Other payables	640,733	640,733	-	-	-	640,733
Total liabilities	40,393,351	3,173,103	1,580,149	8,829,392	26,828,806	40,411,450

31. Financial risks (continued)

Liquidity risk (continued)

Maturity profiles (continued)

2021	**Carrying value RM'000**	**Under 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
Insurance contract liabilities (net of reinsurance liabilities):						
Par	12,109,276	240,134	1,113,334	8,120,153	2,635,655	12,109,276
Non-par	2,371,186	418,324	181,294	331,192	1,440,376	2,371,186
Investment-linked:						
Non-unit	791,826	-	-	-	791,826	791,826
Unit	21,139,995	-	-	-	21,139,995	21,139,995
Provision for outstanding claims	1,577,573	1,577,573	-	-	-	1,577,573
Lease liabilities	165,453	30,599	81,563	106,556	-	218,718
Provisions	323,173	14,070	80,294	211,627	17,182	323,173
Insurance payables	414,621	414,621	-	-	-	414,621
Other payables	647,653	647,653	-	-	-	647,653
Total liabilities	39,540,756	3,342,974	1,456,485	8,769,528	26,025,034	39,594,021

31. Financial risks (continued)

Market risk

Market risk is the risk of an unexpected change in fair value of a financial instrument due to adverse movement in prices, interest rate, or foreign currency exchange rates.

Price risk is the risk that the market values of financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Interest rate risk is the risk that the value of future cash flow of a financial instrument will fluctuate due to impact of changes in market interest rates on interest income from cash and bank balances and other fixed income instruments.

In managing this risk, the Company monitors interest rate movements and other economic indicators and takes appropriate measures to ensure that the investment objectives can continue to be met. In addition, this risk is mitigated as the Company holds a diversified portfolio of securities.

The Company faces foreign currency risk, primarily because some of its investments in equity, debt securities and collective investment schemes are held in currencies other than Ringgit Malaysia to improve the diversification of its portfolio.

Such foreign investments are limited to 10% with no country limit, subject to foreign investments being in jurisdiction with sovereign ratings at least equivalent to that of Malaysia.

The sensitivity analysis on price risk, as below is analysed based on the assumption that all other variables remain constant and the Company's equity investments moved in correlation with FTSE Bursa Malaysia KLCI ("FBMKLCI").

	Change in market price		Impact on profit or loss		Impact on insurance contract liabilities	
	2022	2021	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
FBMKLCI	+/-10%	+/-10%	-	+/-10,202	+/-1,755,596	+/-1,731,824

31. Financial risks (continued)

Market risk (continued)

The sensitivity analysis on interest rate risk, as below is analysed based on the assumption that all other variables remain constant and the Company's debt securities fair value moved in correlation with the prevailing market profit rates:

	Change in interest rate		Impact on profit or loss		Impact on insurance contract liabilities	
	2022	2021	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest rate	+25bp	+25bp	(57,248)	(53,245)	(270,571)	(276,682)
Interest rate	-25bp	-25bp	59,023	54,894	279,266	285,942

The Company faces foreign currency risk, primarily because some of its investments in collective investment schemes are held in currencies other than Ringgit Malaysia to improve the diversification of its portfolio. Below is the sensitivity analysis on foreign currency risk which the Company has exposed to:

Denominated in	Change in variables		Impact on profit or loss		Impact on insurance contract liabilities	
	2022	2021	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
USD	+/-5%	+/-5%	-	-	+/- 131,440	+/- 125,437
SGD	+/-5%	+/-5%	-	-	+/-3,540	+/-4,691
AUD	+/-5%	+/-5%	-	-	+/-904	+/-1,067
GBP	+/-5%	+/-5%	-	-	+/-131	+/-84

Operational risk

Operational risk relates to the risk of potential loss from a breakdown in internal processes, systems, deficiencies in people and management or operational failure arising from external events. The Company mitigates operational risk by establishing appropriate policies, internal control and procedures and contingency planning.

Fair value information

The carrying amounts of fixed and call deposits with financial institutions, policy loans, mortgage loans, unsecured loans, cash and bank balances, short-term receivables and short-term payables reasonably approximate their fair value due to relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value, by valuation hierarchy. There is no financial instrument not carried at fair value for which fair value is disclosed during the financial year.

31. Financial risks (continued)

Fair value information (continued)

	Financial instruments carried at fair value				
2022	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
Financial assets					
Malaysian government securities	-	3,912,280	-	3,912,280	3,912,280
Debt securities	-	12,963,540	59,100	13,022,640	13,022,640
Equity securities	15,104,822	-	5,296	15,110,118	15,110,118
Unit and property trust funds	287,630	1,012,734	-	1,300,364	1,300,364
Foreign managed funds	-	3,195,431	-	3,195,431	3,195,431
Investment in structured products	-	5,506	-	5,506	5,506
Derivatives	-	8,954	-	8,954	8,954
	15,392,452	21,098,445	64,396	36,555,293	36,555,293
2021					
Financial assets					
Malaysian government securities	-	4,040,853	-	4,040,853	4,040,853
Debt securities	-	13,360,816	61,600	13,422,416	13,422,416
Equity securities	14,983,998	-	5,296	14,989,294	14,989,294
Unit and property trust funds	298,686	793,206	-	1,091,892	1,091,892
Foreign managed funds	-	2,853,871	-	2,853,871	2,853,871
Investment in structured products	-	6,200	-	6,200	6,200
Derivatives	-	1,920	-	1,920	1,920
	15,282,684	21,056,866	66,896	36,406,446	36,406,446

31. Financial risks (continued)

Fair value information (continued)

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 1 principally includes exchange listed equities, mutual funds with quoted prices and exchange traded derivatives such as futures and options, unless there is evidence that trading in a given instrument is so infrequent that the market could not possibly be considered active.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 2 principally includes corporate bonds, foreign managed funds, national and non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts, unit and property trust funds and structured products.

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

Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)
Level 3 principally includes investment in unquoted equities and debt securities which are internally valued or subject to a significant number of unobservable assumptions. The inherent nature of the vast majority of these assets means that, in normal market conditions, there is unlikely to be significant change in the specific underlying assets classified as Level 3.

Financial assets measured at fair value based on Level 3:

	Unquoted equity securities RM'000	Unquoted debt securities RM'000	Total RM'000
At 1 January 2021	5,296	-	5,296
Transfer into level 3	-	61,600	61,600
31 December 2021/ 1 January 2022	5,296	61,600	66,896
Transfer to other receivables for matured tranche	-	(2,500)	(2,500)
At 31 December 2022	5,296	59,100	64,396

Transfer to other receivables for matured tranche comprises of a tranche of unquoted debt securities which matured in April 2022.

32. Regulatory capital requirements

The capital structure of the Company as at 31 December 2022, as prescribed under the RBC Framework is provided below:

	Note	2022 RM'000	2021 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	10	100,000	100,000
Reserves, including retained earnings		4,311,095	4,568,785
		4,411,095	4,668,785
Deduction			
Intangible assets and deferred tax assets		321,477	307,932
Total capital available		4,089,618	4,360,853

For life insurer with participating business, the CAR shall be computed as the lower of CAR which takes into account all the insurance and shareholders funds; and CAR which takes into account all the insurance and shareholders funds, excluding the participating life insurance fund.

The Company is in compliance with the RBC Framework.

33. Insurance funds

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

The statement of financial position and statement of profit or loss and other comprehensive income have been further analysed by funds.

The life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as investment-linked products.

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33. Insurance funds (continued)

Statement of financial position by funds as at 31 December 2022

	Shareholder's fund		Life fund		Elimination*		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets								
Property and equipment	19	32	195,181	233,536	-	-	195,200	233,568
Right-of-use assets	-	-	141,595	157,468	-	-	141,595	157,468
Intangible assets	1	1	316,290	307,929	-	-	316,291	307,930
Investments	423,163	245,172	41,069,558	40,619,310	-	-	41,492,721	40,864,482
Reinsurance assets	-	-	502	-	-	-	502	-
Insurance receivables	-	-	129,542	134,025	-	-	129,542	134,025
Other receivables	595,368	835,663	462,787	347,182	(634,013)	(810,949)	424,142	371,896
Tax recoverable	35,279	35,279	14,195	4,309	-	-	49,474	39,588
Cash and bank balances	4,040	4,335	66,705	73,408	-	-	70,745	77,743
	1,057,870	1,120,482	42,396,355	41,877,167	(634,013)	(810,949)	42,820,212	42,186,700
Assets classified as held for sale	-	-	-	296	-	-	-	296
Total assets	1,057,870	1,120,482	42,396,355	41,877,463	(634,013)	(810,949)	42,820,212	42,186,996
Equity, policyholders' funds and liabilities								
Total equity	925,433	1,015,794	1,096,480	1,087,358	-	-	2,021,913	2,103,152
Insurance contract liabilities	-	-	38,796,087	37,978,468	-	-	38,796,087	37,978,468
Reinsurance liabilities	-	-	-	11,388	-	-	-	11,388
Deferred taxation	155	239	364,908	474,429	-	-	365,063	474,668
Lease liabilities	-	-	148,541	165,453	-	-	148,541	165,453
Provisions	13,634	15,036	399,589	308,137	-	-	413,223	323,173
Insurance payables	14,730	9,219	380,539	405,402	-	-	395,269	414,621
Tax payable	25,910	41,665	13,473	26,755	-	-	39,383	68,420
Other payables	78,008	38,529	1,196,738	1,420,073	(634,013)	(810,949)	640,733	647,653
Total liabilities	132,437	104,688	41,299,875	40,790,105	(634,013)	(810,949)	40,798,299	40,083,844
Total equity, policyholders' funds and liabilities	1,057,870	1,120,482	42,396,355	41,877,463	(634,013)	(810,949)	42,820,212	42,186,996

** Refers to elimination of Interfund balances.*

33. Insurance funds (continued)

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

	Shareholder's fund		Life fund		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue	13,630	9,785	9,895,357	9,525,655	9,908,987	9,535,440
Gross earned premiums	-	-	8,216,174	7,963,238	8,216,174	7,963,238
Premiums ceded to reinsurers	-	-	(255,411)	(191,329)	(255,411)	(191,329)
Net earned premiums	-	-	7,960,763	7,771,909	7,960,763	7,771,909
Investment income	13,630	9,785	1,679,183	1,562,417	1,692,813	1,572,202
Realised gains and (losses)	53	400	(195,705)	540,528	(195,652)	540,928
Fair value losses	(974)	(1,695)	(1,465,750)	(1,604,851)	(1,466,724)	(1,606,546)
Fee and commission income	439	4,429	468,371	434,347	468,810	438,776
Other operating income	110,317	89,004	87,753	30,606	198,070	119,610
Other income	123,465	101,923	573,852	963,047	697,317	1,064,970
Gross benefits and claims paid	-	-	(4,789,058)	(4,194,648)	(4,789,058)	(4,194,648)
Claims ceded to reinsurers	-	-	48,938	46,507	48,938	46,507
Gross change in contract liabilities	-	-	(717,794)	(1,302,649)	(717,794)	(1,302,649)
Change in contract liabilities ceded to reinsurers	-	-	11,890	(5,843)	11,890	(5,843)
Net benefits and claims	-	-	(5,446,024)	(5,456,633)	(5,446,024)	(5,456,633)
Fee and commission expense	(44,961)	(28,695)	(1,466,183)	(1,501,361)	(1,511,144)	(1,530,056)
Depreciation of property and equipment	(9)	(10)	(17,931)	(19,788)	(17,940)	(19,798)
Depreciation of right-of-use assets	-	-	(32,485)	(33,613)	(32,485)	(33,613)
Amortisation of intangible assets	-	-	(43,684)	(32,964)	(43,684)	(32,964)
Management expenses	(71,936)	(31,676)	(664,548)	(637,162)	(736,484)	(668,838)
Other operating expenses	(109,732)	(98,192)	(126,635)	(99,421)	(236,367)	(197,613)
Other expenses	(226,638)	(158,573)	(2,351,466)	(2,324,309)	(2,578,104)	(2,482,882)

33. Insurance funds (continued)

Statement of profit or loss and other comprehensive income by funds for the year ended 31 December 2022 (continued)

	Shareholder's fund		Life fund		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating (loss)/profit	(103,173)	(56,650)	737,125	954,014	633,952	897,364
Finance cost	-	-	(6,495)	(8,534)	(6,495)	(8,534)
(Loss)/ Profit before transfer	(103,173)	(56,650)	730,630	945,480	627,457	888,830
Transfer from revenue accounts	774,541	942,866	(774,541)	(942,866)	-	-
Profit/ (Loss) before taxation	671,368	886,216	(43,911)	2,614	627,457	888,830
Taxation	(232,250)	(157,054)	53,033	8,030	(179,217)	(149,024)
Net profit/Total comprehensive income for the year	439,118	729,162	9,122	10,644	448,240	739,806

33. Insurance funds (continued)

Investment-linked funds

Statement of assets and liabilities as at 31 December 2022

	2022 RM'000	2021 RM'000
Assets		
Investments	21,952,794	21,172,376
Other receivables	127,792	63,570
Tax recoverable	11,366	4,309
Cash and bank balances	30,718	30,106
Total assets	22,122,670	21,270,361
Liabilities		
Deferred taxation	14,510	85,828
Tax payable	7,672	3,417
Other payables	82,371	41,121
Total liabilities	104,553	130,366
Net asset value of funds (Note 12)	22,018,117	21,139,995

Statement of income and expenditure for the year ended 31 December 2022

	2022 RM'000	2021 RM'000
Investment income	851,426	768,939
Realised (losses)/gains	(177,833)	240,812
Fair value losses	(899,033)	(753,440)
Fee and commission income	87,957	79,064
Other operating income/(expenses)	69,159	(3,270)
	(68,324)	332,105
Fee and commission expense	(369,783)	(352,929)
Loss before taxation	(438,107)	(20,824)
Taxation	64,893	26,022
Net (loss)/profit /Total comprehensive (expense)/ income for the year	(373,214)	5,198

33. Insurance funds (continued)

Information on cash flows by funds for the year ended 31 December 2022

	Shareholder's fund		Life fund		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from/(used in):						
Operating activities	534,705	614,153	65,538	155,046	600,243	769,199
Investing activities	-	-	(32,222)	(76,616)	(32,222)	(76,616)
Financing activities	(535,000)	(613,000)	(40,019)	(36,442)	(575,019)	(649,442)
Net (decrease)/increase in cash and bank balances	(295)	1,153	(6,703)	41,988	(6,998)	43,141
Cash and bank balances at beginning of year	4,335	3,182	73,408	31,420	77,743	34,602
Cash and bank balances at end of year	4,040	4,335	66,705	73,408	70,745	77,743

34. Operating segments

Segment information is presented based on the Company's management and internal reporting structure. The Company does not present information by business segment as it is principally involved in the underwriting of life insurance business which includes investment-linked business. The financial position and performance of the life insurance business of the Company have been disclosed separately within these financial statements.

Financial information by geographical segment has not been presented as the Company predominantly operates within Malaysia.

PRUDENTIAL

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