

REGISTRATION NO. 200601018337 (738090-M)



**HONG LEONG MSIG TAKAFUL BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

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<b>CONTENTS</b>	<b>PAGE(S)</b>
DIRECTORS' REPORT	1 - 52
STATEMENT BY DIRECTORS	53
STATUTORY DECLARATION	54
REPORT OF THE SHARIAH COMMITTEE	55 - 56
INDEPENDENT AUDITORS' REPORT	57 - 60
STATEMENT OF FINANCIAL POSITION	61 - 62
STATEMENT OF INCOME	63 - 64
STATEMENT OF OTHER COMPREHENSIVE INCOME	65
STATEMENT OF CHANGES IN EQUITY	66
STATEMENT OF CASH FLOWS	67 - 68
NOTES TO THE FINANCIAL STATEMENTS	69 - 155

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

The Directors have pleasure in submitting their Report together with the audited financial statements of the Company for the financial year ended 30 June 2023.

#### **PRINCIPAL ACTIVITIES**

The Company is principally engaged in managing Family Takaful including investment-linked business. There has been no other significant change in the nature of the principal activities during the financial year.

#### **FINANCIAL RESULTS**

**RM'000**

Net loss for the financial year

(17,855)

#### **DIVIDENDS**

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

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2023.

#### **SHARE CAPITAL**

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

#### **RESERVES AND PROVISIONS**

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

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### DIRECTORS

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

Mr Martin Giles Manen	(Chairman, Independent Non-Executive Director)
Ms Loh Guat Lan	(Non-Independent Executive Director)
Encik Zulkiflee Bin Hashim	(Independent Non-Executive Director)
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	(Independent Non-Executive Director)
YBhg Dato' Bakarudin Bin Ishak	(Independent Non-Executive Director)
Mr Mitsuru Yasuda (Appointed with effect from 17 July 2023)	(Non-Independent Non-Executive Director)
Mr Masayuki Takahashi (Resigned with effect from 17 July 2023)	(Non-Independent Non-Executive Director)

#### DIRECTORS' REMUNERATION

The remuneration in aggregate for Directors of the Company for the financial year is as follows:

<u>Directors of the Company</u>	<b>RM'000</b>
Directors' fees	525
Directors' other emoluments	111

There was no amount paid to or receivable by any third party for services provided by Directors of the Company.

During the financial year, Directors & Officers of the Company are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors & Officers of the Company subject to the terms of the policy. The total amount of Directors' & Officers' Liability insurance effected for the Directors and Officers of the Hong Leong Financial Group Berhad ("HLFG") was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the HLFG Group was RM71,250 (2022:RM84,550) and the apportioned amount of the said premium paid by the Company was RM44.00 (2022:RM313.50).

Details of Directors' remuneration are set out in Note 24 to the financial statements.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, the Director holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations during the financial year is as follows:

	Director's direct interests			
	Number of ordinary shares issued or to be issued or acquired arising from the exercise of options			
	As at <u>01/07/2022</u>	<u>Acquired</u>	(Sold / <u>exercised</u> )	As at <u>30/06/2023</u>
<b>Interest of</b>				
<b>Ms Loh Guat Lan in:</b>				
Hong Leong Financial Group Berhad ("HLFG")	560,000	-	-	560,000

#### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company received or became entitled to receive any benefit (other than the benefits shown under Directors' Remuneration in Note 24 to the financial statements) by reason of a contract made by the Company or its related corporations 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.

Neither at the end of the financial year, nor at anytime during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling the 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, other than the share options granted pursuant to the Executive Share Scheme.

#### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In the opinion of the Directors, the results of the operations of the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE**

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.

The Board of Directors ("Board") also reviewed the manner in which the Bank Negara Malaysia ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Company, where applicable, as set out below.

#### **A. Board of Directors**

##### **I Roles and Responsibilities of the Board**

The Board assumes responsibility for effective stewardship and control of the Company and has established Terms of Reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board. The Board Charter is published on the Company's website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Company's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the Chief Executive Officer ("CEO") who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **I Roles and Responsibilities of the Board (continued)**

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions and internal controls to the Group Board Audit Committee ("GBAC") under HLA Holdings Sdn Bhd ("HLAH"); and risk management and compliance to the Group Board Risk Management Committee ("GBRMC") under HLAH. The Nomination Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Company for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Company and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **I Roles and Responsibilities of the Board (continued)**

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at 'www.ssm.com.my'. In addition, the Company also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Company and it provides a structured channel for all employees of the Company and any other persons providing services to, or having a business relationship with the Company, to report any concerns about any improper conducts, wrongful acts or malpractice committed within the Company.

###### **II Board Composition**

The Board currently comprises six (6) Directors. The six (6) Directors are made up of one (1) Executive Director and five (5) Non-Executive Directors, of whom four (4) are independent.

The Company is guided by BNM CG Policy in determining its board composition. The Board shall determine the appropriate size of the Board to enable efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in July 2023, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Company's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### A. Board of Directors (continued)

##### III Board Meetings

The Board met six (6) times during the financial year ended 30 June 2023 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

<u>Directors</u>	<u>Attendance</u>
Mr Martin Giles Manen (Chairman)	6/6
Ms Loh Guat Lan	6/6
Encik Zulkiflee Bin Hashim	6/6
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	6/6
YBhg Dato' Bakarudin Bin Ishak	6/6
Mr Mitsuru Yasuda <i>(Appointed with effect from 17 July 2023)</i>	*
Mr Masayuki Takahashi <i>(Resigned with effect from 17 July 2023)</i>	6/6

Note:

\* The board meetings were held before Mr Mitsuru Yasuda's appointment.

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Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Profile**

###### **1 MR MARTIN GILES MANEN**

**Chairman/Non-Executive Director/Independent**

**Age 68, Male, Malaysian**

Mr Martin Giles Manen is a Chartered Accountant and a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

Mr Martin Manen had served more than 21 years with Sime Darby Group from January 1986 to July 2007, holding various senior roles, including Executive Director, Group Tax Controller, Group Company Secretary and Group Finance Director. During his term as Group Finance Director and Executive Director of Sime Darby Berhad, he had full responsibility for the entire finance function within the Sime Darby Group, encompassing finance & accounting, corporate finance & planning, and information technology, with all of the divisional finance directors reporting to him. He also had served as a member of the Malaysian Accounting Standards Board, the Executive Committee of the International Fiscal Association (Malaysian Branch), the Task Force on the formation of an Audit Oversight Board chaired by the Securities Commission ("SC") and the Accounting Technical Panel of the SC as well as a Director and Chairman of the Board Audit and Risk Management Committee of Hong Leong Investment Bank Berhad.

Mr Martin Manen is the Chairman of Hong Leong MSIG Takaful Berhad ("HLMT") and was appointed to the Board of HLMT on 16 April 2018. He is a member of the GBAC under HLAH.

Mr Martin Manen is presently an Independent Non-Executive Director ("INED") and Chairman of both the Audit Committee and the Risk Committee of Bermaz Auto Berhad ("Bermaz") and INED of Top Glove Corporation Bhd ("Top Glove"). Bermaz and Top Glove are companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). He is also an INED of BOS Wealth Management Malaysia Berhad, a public company and a Director of Channel Micron Holdings Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Profile (continued)**

###### **2 MS LOH GUAT LAN**

**Executive Director/Non-Independent**

**Age 58, Female, Malaysian**

Ms Loh Guat Lan holds a Bachelor of Science in Human Development and is a Fellow Member of Life Management Institute (FLMI) and Life Office Management Association (LOMA) as well as Associate, Customer Service. She is also a Certified Financial Planner (CFP) and Registered Financial Planner (RFP).

Ms Loh has extensive experience in the insurance industry, including agency management, branch management, and agency development and training. She was previously the Chief Operating Officer (Life Division) of Hong Leong Assurance Berhad ("HLA") and was subsequently appointed as the Group Managing Director/Chief Executive Officer of HLA on 1 September 2009. Prior to joining HLA, she was in the employment of American International Assurance Company Limited where her last position was Vice President & Senior Director of Agency (Malaysia).

Ms Loh was appointed to the Board of HLMT on 1 November 2009 and is a member of the NC of HLMT.

Ms Loh is the Chairman of HL Assurance Pte Ltd and a Director of MSIG Insurance (Malaysia) Bhd, HLAH, Hong Leong Insurance (Asia) Limited, L.I.A.M. Holding Sdn Bhd and L.I.A.M. Property Sdn Bhd. She is also a Committee Member of the Life Insurance Association of Malaysia (LIAM) and a Director of The Malaysian Insurance Institute. She was a Board Member of Financial Industry Collective Outreach (FINCO).

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Profile (continued)**

###### **3 ENCIK ZULKIFLEE BIN HASHIM Non-Executive Director/Independent Age 64, Male, Malaysian**

Encik Zulkiflee bin Hashim graduated with a Diploma in Credit Management from the Institut Teknologi MARA (now known as Universiti Teknologi MARA).

Encik Zulkiflee has over 35 years' of experience in the banking industry. He started his career with Citibank Malaysia in 1979 and left his position as Vice President in November 1991. From December 1991 to November 1997, Encik Zulkiflee was with Deutsche Bank Malaysia. He was the Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services. From July 1998 to October 2011, Encik Zulkiflee was the Executive Director of Hong Leong Bank Berhad ("HLB"). Prior to his retirement in 2015, he was HLB's Chief Operating Officer, Group Strategic Support from November 2011 to January 2015. During the tenure with HLB, he was given the responsibility to oversee various areas such as Branch and Banking Operations, Integrated Risk Management, Credit Management, Information Technology, Islamic Banking, Wholesale Operations, Retail Operations, Legal and Corporate Communications & Public Relations.

Encik Zulkiflee was appointed to the Board of HLMT on 28 May 2019. He is the Chairman of the NC and the Remuneration Committee ("RC") of HLMT and a member of the GBRMC under HLAH.

Encik Zulkiflee is presently an INED and Chairman of both the Board Audit Committee and the Board Financing & Investment Committee of Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank). He is an INED and Chairman of both the Board Audit Committee and the Board Risk Management & Compliance Committee of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (Al Rajhi Bank). He is also an INED of GuocoLand (Malaysia) Berhad.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Profile (continued)**

#### **4 YBHG DATO' NICHOLAS JOHN LOUGH @ SHARIF LOUGH BIN ABDULLAH Non-Executive Director/Independent Age 71, Male, British and Malaysian Permanent Resident**

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah holds a Gemmology Diploma from The National Association of Goldsmiths, London, Great Britain and is a Fellow member of The Gemmological Association of Great Britain.

YBhg Dato' Nicholas Lough has extensive experience in the corporate sector, serving in various capacities, including Group Executive Director of The Melewar Corporation Berhad from 1987 to 1995. He possesses a wealth of experience in the fields of corporate finance and strategic planning, and has in-depth knowledge on corporate governance, risk management, internal controls and compliance.

YBhg Dato' Nicholas Lough was appointed to the Board of HLMT on 28 September 2020 and is a member of the NC and the RC of HLMT, and a member of the GBRMC under HLAH and the Group Board Information and Technology Committee under HLFG.

YBhg Dato' Nicholas Lough is currently a Director of Scicom (MSC) Berhad, a company listed on the Main Market of Bursa Malaysia. He was an INED of Hong Leong Bank Berhad (HLB), a major public listed banking group on the Main Market of Bursa Malaysia.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Profile (continued)**

###### **5 YBHG DATO' BAKARUDIN BIN ISHAK**

**Non-Executive Director/Independent**

**Age 62, Male, Malaysian**

YBhg Dato' Bakarudin bin Ishak holds a Bachelor of Economics (Honours) degree from the University of Malaya.

YBhg Dato' Bakarudin was a career officer of BNM for more than 31 years from 1985 until his retirement in 2017. During his tenure with BNM, he held various senior positions including Assistant Governor, Director of Islamic Banking and Takaful Department and Director of Exchange Control Department; and was seconded to Malaysian Electronic Clearing Corp Sdn Bhd (now known as PayNet) to be its CEO.

For the period from 2001 to 2008, YBhg Dato' Bakarudin served as the Director of Islamic Banking and Takaful Department where he was entrusted to develop a comprehensive Islamic finance sector and to formulate the required prudential regulations applicable to the Islamic banking institutions and takaful operators. He was then seconded to PayNet as CEO in 2008 to manage the business of large value payment in RENTAS and cheque clearing. In 2009, YBhg Dato' Bakarudin was appointed as the Assistant Governor of BNM overseeing two Departments i.e Payment System Policy and Currency Operations and at the same time, assumed the role of the CEO of PayNet. In 2011, he was assigned to cover another 4 departments of BNM, namely Payment System Policy, Developments Financial Institutions, Islamic Banking and Takaful and Financial Sector Development Department. In 2016, YBhg Dato' Bakarudin was assigned to take charge of the Financial Sector Regulations and Policy Division of BNM, covering 4 departments, namely Islamic Banking and Takaful, Prudential Financial Policies, Consumer and Market Conduct and Financial Surveillance.

During his tenure in BNM, YBhg Dato' Bakarudin also served as member of various committees of BNM, which include Risk Management Committee, Monetary Policy Committee, Technical Committee of Islamic Financial Services Board and the Working Group on the promulgations of regulatory and supervisory standards for Islamic financial institutions and takaful undertakings. He was also appointed as member of the International Centre for Education in Islamic Finance (INCEIF) EXCO and Governing Council.

YBhg Dato' Bakarudin was appointed to the Board of HLMT on 2 September 2021. He is a member of the NC and the RC of HLMT, and a member of GBAC under HLAH.

YBhg Dato' Bakarudin is currently the Chairman and INED of Cagamas Holdings Berhad, Cagamas SRP Berhad and Cagamas Berhad.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Profile (continued)**

###### **6 MR MITSURU YASUDA**

**Non-Executive Director/Non-Independent**

**Age 49, Male, Japanese**

Mr Mitsuru Yasuda holds a Bachelor of Arts in Social Science degree from Waseda University in Japan and a Certified Public Accountant (CPA) license in Japan.

Mr Yasuda has over 26 years of experience in life insurance, merger and acquisition ("M&A") advisory and audit businesses. He joined Mitsui Sumitomo Insurance Company, Limited, Japan ("MSIJ") in 2015 and took on a supervisory role in Sinarmas MSIG Life ("Sinarmas"), a life insurance subsidiary of MSIJ in Indonesia through participation at Sinarmas' Board meetings as an observer and provided advices from a shareholder's standpoint on areas such as sales channel and product portfolio management, budget and profit management as well as risk management.

Prior to joining MSIJ, Mr Yasuda spent 12 years with Deloitte in its M&A advisory function in both Tokyo and New York. During his tenure with Deloitte, he had provided accounting and tax advice as well as valuation support to his clients which included both life and non-life insurance companies. He had also spent 4 years with Ernst & Young (E&Y), Tokyo in its audit function before joining Deloitte.

Mr Yasuda is currently the General Manager of the International Business Planning Department of MS&AD Insurance Group Holdings, Inc. ("MS&AD") and the Asian Life Insurance Business Department of MSIJ respectively. He takes on a strategic role in assisting MS&AD's investments on overseas life insurance businesses by analysing accounting/ tax impacts, optimising transaction structures and estimating value of the business to be invested which include the additional share purchases of Sinarmas and Reassure in United Kingdom.

Mr Yasuda was appointed to the Board of HLMT on 17 July 2023.

Mr Yasuda is currently a Non-Executive Director of both Max Financial Services Limited, a listed entity on the Bombay Stock Exchange and the National Stock Exchange of India, and its subsidiary in India, Max Life Insurance Company Limited as a representative of MSIJ. He supervises the life insurance business through its Board and various Committees including Risk Management, Audit, Investment and others. Mr Yasuda is also a Director of Hong Leong Assurance Berhad, a public company.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Training**

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as Director of the Company. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

The Company regularly organises in-house programmes, briefings and updates by external and its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the financial year ended 30 June 2023, the Directors received regular briefings and updates on the Company's businesses, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **A. Board of Directors (continued)**

###### **Directors' Training (continued)**

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the financial year ended 30 June 2023, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Bermaz Auto Berhad – Directors Duties and Responsibilities by Boardroom
- BNM – Engagement Session for BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022.
- HLMT – Basic Takaful Operations: Claims
- KUSKOP – Social Enterprise Financing
- FIDE Forum – Can America Stop China Rise? Will ASEAN Be Damaged?
- ICLIF – Leadership for Enterprise Sustainability Asia (LESA) 2023
- ICLIF – Remarking Corporate Governance for an ESG World
- MICG – Seminar on Assessment of the Board, Board Committees & Individual Directors
- NUS – Impact of Age on Cognition Among Community – Dwelling Older Adults: Dementia Awareness
- Scicom (MSC) Berhad – Anti-Bribery and Anti-Corruption (Introductory Course)
- Cagamas Berhad – Briefing for Directors on D&O, ESG and MACC
- Cagamas Berhad – Conference on Developing and Financing Green Housing in Asia 2022
- HLFG – Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT
- IDCM – ESG: Board Oversight
- IDCM – International Directors Summit 2022: The B Factor – [Bold + Brave]
- Top Glove Corporation Berhad (TGCB) – Leadership Talk
- Top Glove Corporation Berhad (TGCB) – Top Glove 2nd Culture Workshop
- Top Glove Corporation Berhad (TGCB) – Top Glove 3rd Culture Workshop: Cascading our Culture
- Top Glove Corporation Berhad (TGCB) – Top Glove Annual Leadership Summit 2022
- Top Glove Corporation Berhad (TGCB) – Duties & Responsibilities of Company Directors, Demystifying the stewardship and fiduciary roles of Directors by Lee Min On
- Top Glove Corporation Berhad (TGCB) – Securities Commission Guidelines on the Conduct of Directors of Listed Corporations and their Subsidiaries - Implication to the Board and Management of TGCB and its subsidiaries by Lee Min On

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **Directors' Training (continued)**

- BOS Wealth Management Malaysia Berhad – AML/ CFT Training for Asset Management companies
- BOS Wealth Management Malaysia Berhad – Annual Flagship Conference: Beyond 2023 (1) Welcome Address (2) Keynote Dialogue: The World in Tension (3) The 2023 Game Plan (4) Plenary Session: Opportunities on the Horizon Mid-Year Investment Outlook Conference
- BOS Wealth Management Malaysia Berhad – Mid-Year Investment Outlook Conference
- HLFG – Anti-Bribery and Corruption Refresher Training: Revisiting Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 on Corporate Liability Provision- Developing a Robust Anti-Bribery & Corruption of Framework as Lines of Defence
- HLFG – Briefing on Environmental, Social and Government by PricewaterhouseCoopers PLT
- HSBC – FX Market Outlook Webinar: The Strong US Dollar, Can it Continue?
- HSBC – Global Market Outlook: The world will never be the same again
- HSBC – Market Outlook Seminar
- KPMG Malaysia – Human Rights Risk Management for Malaysian Companies
- KPMG Malaysia – Navigating through the evolution of Corporate Governance with the introduction of Tax Corporate Governance Framework
- KPMG Malaysia – Supercharge ESG Ambitions with Technology by KPMG Malaysia
- KPMG Malaysia – Understanding the requirements in BNM's enhanced sustainability reporting framework.
- Macquarie Malaysia – Invest Malaysia KL 2023: Digital Malaysia – Tomorrow's Infrastructure, Today (1) Welcome Address (2) Keynote Address (3) Panel: Rethinking the 5G Model (4) Panel: Cloud as an Enabler of Digitalisation in Malaysia (5) Panel: Case Studies – How Companies approach Cloud Transformation (6) Closing Address
- PWC Malaysia – Journey to e-Invoicing
- SC – Audit Oversight Board Conversation with Audit Committees & How the Audit Committees and Auditors can work together towards reliable audited financial statements
- SIDC – SRI Taxonomy: Insight and Implementation(1) Opening Address(2) Suite Chat: Developing and Implementing SRI Taxonomy – Regulator's Perspective(3) Scaling up and Sustainable and Responsible Investments in the Malaysia Capital Market through the SRI Taxonomy(4) What's Next for Sustainable Finance Taxonomies
- SIDC – Suite Talk: Governing into the Future(1) Corporate Cultism: Separating Cult from Culture(2) Executive Compensation Trends – What should boards be Thinking(3) Leadership Succession Plan – What's working and what's not
- Thannees Tax Consulting Services – 4th Tax Conference “Tackling Practical Problems faced by Taxpayers”

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **Directors' Training (continued)**

- Top Glove Corporation Berhad (TGCB) – Top Glove Quality & Efficiency Summit
- ASB – Corporate Governance & Remuneration Practices For The ESG World
- ASEAN Regional Forum – Technological Innovations and Impact on Insurance: Challenges, Opportunities and Way Forward
- HLA – HLA Management Offsite Strategy Retreat
- HLB – Invitation for a Metaverse Prototype Walkthrough
- Huawei Malaysia – Malaysia Digital Power Summit 2023
- IMM Management Sdn Bhd – The 25th National Chinese Life Insurance Congress cum 2023 IDA Day cum Award Presentation of Top Manager Award, National Advisers Award, Junior Advisers Award
- Life Insurance Association of Malaysia (LIAM) – 48th ASEAN Insurance Council (AIC) Meeting in Bangkok
- Malaysia External Trade Development Corporation (MATRADE) & Fusionex – Grand Launch of MATRADE Digital Trade Platform (MDTP)
- Maybank Berhad & Bursa Malaysia – Invest Malaysia Kuala Lumpur 2023 Series 1: “Reshaping Malaysia’s Narrative: Strengthening Resilience & Sustaining Growth”
- MSIG Insurance (Malaysia) Bhd – (1) Financial Sector Blueprint (2) Phase Liberalization 2.0 (3) Digital Roadside Assistance (4) Industry Benchmarking
- PWC Malaysia – Leadership, an exclusive launch event
- Ernst & Young – Business Continuity Management Awareness Programme
- Ernst & Young – ESG/ Sustainability: How can Financial Institution shape a more sustainable future?
- FIRMUS – Emerging Cyber Risks and Resilience Measures
- Messrs Azmi & Associates – Duties of Directors under the Development of Financial Institutions Act (DFIA)
- Yunos Yusop – AML/ CFT Latest Development for Board & Senior Management
- CERT – 17th Kuala Lumpur Islamic Finance Forum 2022 (KLIFF)
- FIDE Forum – Climate Governance Malaysia (CGM) Conversations with Chairmen: A Standing Item in Board Agendas

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees**

Board Committees have been established by the Board to assist in the discharge of its duties.

##### **(a) GBAC under HLAH**

The GBAC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Audit Committees of HLAH, HLA and HLMT at HLAH, being the financial holding company. The Board Audit and Risk Management Committee ("BARMC") of HLMT was disbanded on 13 December 2017 with the establishment of the GBAC and GBRMC under HLAH.

The financial reporting and internal control system of the Company is overseen by the GBAC, which comprises the following members:

Ms Lim Tau Kien

*(Chairman of GBAC and Independent Non-Executive Director of HLAH)*

YBhg Dato' Siow Kim Lun @ Siow Kim Lin

*(Chairman and Independent Non-Executive Director of HLAH)*

Ms Shalet Marian

*(Independent Non-Executive Director of HLA)*

Mr Martin Giles Manen

*(Chairman and Independent Non-Executive Director of HLMT)*

Mr Sim Hong Kee

*(Independent Non-Executive Director of HLA)*

YBhg Dato' Bakarudin bin Ishak

*(Independent Non-Executive Director of HLMT)*

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(a) GBAC under HLAH (continued)**

###### **Secretary**

The Secretary(ies) to the GBAC are the Company Secretary(ies) of the Company.

###### **Group Governance**

1. Noted that:
  - a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within its group of companies ("HLFG Group").
  - b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.
  - c) HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.
  - d) The respective subsidiaries' board and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
2. The GBAC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
3. HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group ("Insurance Group") shall align the responsibilities as set out above for the Insurance Group.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(a) GBAC under HLAH (continued)**

###### **Term of Reference**

###### **External Audit**

- To make recommendations to the Board of HLAH and its subsidiaries on the appointment, removal and remuneration of the external auditor, where applicable.
- To review the terms of engagement and the audit plan prior to engaging the external auditors and/or re-appointment of the external auditor.
- To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
- To review the assistance given by the officers of HLAH and its subsidiaries to the external auditor, where applicable.
- To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the GBAC on significant matters.
- To review the report of the external auditor, including any significant matters, and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
- To review third-party opinions on the design and effectiveness of HLAH and its subsidiaries' internal control framework, where applicable.

###### **Financial Reporting**

- To review the accuracy and adequacy of the Chairman's Statement in the directors' report and corporate governance disclosures of HLAH and its subsidiaries, where applicable.
- To review the interim financial reports and annual financial statements of HLAH and its subsidiaries before submission to the Board of HLAH and its subsidiaries where applicable, focusing particularly on changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other legal requirements.
- To note the update on HLAH and its subsidiaries tax affairs, management of tax compliance risk and tax matters that may have a material impact to HLAH and its subsidiaries.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(a) GBAC under HLAH (continued)**

###### **Terms of Reference (continued)**

###### **Related Party/Connected Party Transactions**

- To review and update the Board of HLAH and its subsidiaries on any related party transactions that may arise within the Group, where applicable.
- To monitor compliance with the Board of HLAH and its subsidiaries' Conflict of Interest Policies, where applicable.

###### **Internal Audit**

- To review and approve the adequacy of the internal audit scope, procedures, frequency and plan, and assess the performance and effectiveness of the internal audit function.
- To review the adequacy and effectiveness of internal controls and risk management processes.
- To review reports and significant findings by internal audit function, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
- To support the Board of HLAH and its subsidiaries in meeting the expectations on internal audit management as set out in BNM's "Guidelines on Internal Audit Function of Licensed Institutions".
- To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Internal Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(a) GBAC under HLAH (continued)**

###### **Terms of Reference (continued)**

###### **Internal Audit (continued)**

- To engage privately with the Head of Internal Audit on a regular basis (and in any case at least once annually) to provide the opportunity for the Head of Internal Audit to discuss issues faced by the internal audit function.
- To review the Audit Charter of HLAH and its subsidiaries and recommend for respective Board's approval.
- To review any significant disagreement between the Head of Internal Audit and any member(s) of the Senior Management team where such disagreement may have adverse impact on the audit process or findings, and to recommend resolutions of such disagreement if they remain unresolved within a reasonable period of time.
- To establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of internal audit.
- To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.
- To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialized areas.
- Other audit functions as may be agreed to by the GBAC and the Board of HLAH and its subsidiaries.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(a) GBAC under HLAH (continued)**

###### **Whistleblowing**

In relation to HLAH and its subsidiaries' Whistleblowing Policy and Procedures:

- oversee the implementation and effectiveness of HLAH and its subsidiaries' Whistleblowing Policy and Procedures; and
- exercise its powers and carry out its responsibilities as set out under HLAH and its subsidiaries' Whistleblowing Policy and Procedures.

###### **Authority**

The GBAC is authorised by the Board of HLAH and its subsidiaries to:

- review any activity of the Group within its Terms of Reference.
- seek any information it requires from any Director or member of Senior Management, and all employees are directed to co-operate with any request made by GBAC, including but not limited to providing the GBAC with sufficient support and resources required to investigate any matter within the mandates of GBAC ; and
- obtain independent legal or other professional advice if it considers necessary.

The Board remains fully accountable for any authority delegated to the GBAC.

###### **Meetings**

The GBAC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such financial updates and annual financial statements being presented to the Board of HLAH and its subsidiaries for approval.

The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Internal Audit, other Senior Management, employees, and external auditors may be invited to attend the GBAC meetings, whenever required.

At least twice a year, the GBAC will have separate sessions with the external auditors without the presence of management.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(a) GBAC under HLAH (continued)**

###### **Meetings (continued)**

Issues raised, discussions, deliberations, decisions and conclusions made at the GBAC meetings are recorded in minutes of the GBAC meetings. A GBAC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBAC meeting where the material transaction or material arrangement is being deliberated by the GBAC.

Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive, shall constitute a quorum.

After each GBAC meeting, the GBAC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBAC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

###### **Revision of the Term of Reference**

Any revision or amendment to the Term of Reference, as endorsed by GBAC, shall first be presented to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia for approval. Upon the Board's approval, the said revision or amendment shall form part of this Term of Reference which shall be considered duly revised or amended.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (a) GBAC under HLAH (continued)

###### Activities

The GBAC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2023, seven (7) GBAC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Lim Tau Kien	7/7
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	7/7
Ms Shalet Marian	7/7
Mr Martin Giles Manen	7/7
Mr Sim Hong Kee	7/7
YBhg Dato' Bakarudin bin Ishak	7/7

###### Internal Audit Department

The Company has established in-house Internal Audit Function in April 2022. Internal Audit employs a risk-based assessment approach in auditing the Company's business and operational activities. An annual audit plan is developed and approved by the GBAC. All internal audit reports which incorporate the management's responses were tabled for discussion at the GBAC meetings.

During the financial year ended 30 June 2023, numerous audit tasks were completed, including operations, financial and regulatory compliance audits. These audits are performed in line with BNM Guidelines on Internal Audit Function.

The cost incurred for the Internal Audit function in respect of the current financial year was RM1,020,000 (2022: RM589,000).

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)  
(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (b) GBRMC under HLAH

The GBRMC was established under HLAH effective from 13 December 2017, subsequent to the approval by BNM on 28 September 2017 for the centralisation of the Risk Management Committees of HLAH, HLA and HLMT at HLAH. The BARMC of HLMT was disbanded on 13 December 2017 with the establishment of GBAC and GBRMC under HLAH.

The risk management and compliance system of the Company is overseen by the GBRMC which comprises the following members:

Mr Sim Hong Kee

*(Chairman of GBRMC and Independent Non-Executive Director of HLA)*

Ms Koid Swee Lian

*(Independent Non-Executive Director of HLA and HLAH)*

YBhg Dato' Siow Kim Lun @ Siow Kim Lin

*(Chairman and Independent Non-Executive Director of HLAH)*

Encik Zulkiflee bin Hashim

*(Independent Non-Executive Director of HLMT)*

YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah

*(Independent Non-Executive Director of HLMT)*

##### Secretary

The secretary to the GBRMC meetings is rotated among the Chief Risk Officer ("CRO") and Chief Compliance Officer ("CCO") of HLA and HLMT.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(b) GBRMC under HLAH (continued)**

###### **Group Governance**

1. a) HLFG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within its group of companies ("HLFG Group").  
b) HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout HLFG Group.  
c) HLFG's risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation throughout HLFG Group.  
d) The respective subsidiary's Board and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of HLFG Group-wide policies.
2. HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group shall align the responsibilities set out in item 1 above for the following subsidiaries:
  - a) HLA
  - b) HLMT
  - c) Hong Leong Insurance (Asia) Limited
  - d) HL Assurance Pte. Ltd.
3. The GBRMC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of HLAH and its subsidiaries and to check that the entity specific risks are adequately addressed in the implementation of Group-wide policies.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(b) GBRMC under HLAH (continued)**

###### **Terms of Reference**

###### **Risk Management**

1. The GBRMC shall review the management's:
  - a) activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, operational risk, compliance risk, Shariah compliance risk (applicable to HLMT only), insurance risk as well as environmental, social and governance risk;
  - b) reports to the Boards of HLAH and its subsidiaries on measures taken to:
    - identify and examine principal risks faced by HLAH and its subsidiaries; and
    - implement appropriate systems and internal controls to manage these risks;
  - c) major risk management strategies, policies and risk tolerance, and where appropriate endorse and recommend the same for the approval of the respective Boards of HLAH and its subsidiaries;
  - d) overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), including management's stress testing programme, annual risk appetite, Individual Target Capital Level ("ITCL") and Capital Management Plan, and where appropriate endorse and recommend the same for the approval of the respective Boards of HLAH and its subsidiaries;
  - e) development and effective implementation of the ICAAP;
  - f) periodic reports on risk appetite, risk exposure, risk portfolio composition and risk management activities;
  - g) internal controls and risk management process to ensure their adequacy and effectiveness;
  - h) risk management policies and frameworks in identifying, measuring, monitoring and controlling risk to ensure their adequacy and the extent to which these are operating effectively; and
  - i) implementation of risk management as set out in Policy Documents on Risk Governance, Approach to Regulating and Supervising Financial Groups, Corporate Governance, and in respect of HLMT, Shariah Governance.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(b) GBRMC under HLAH (continued)**

###### **Terms of Reference (continued)**

###### **Risk Management (continued)**

###### **2. The GBRMC shall:**

- a) review risk management function's infrastructure, resources and systems and to ensure that the staff responsible for implementing risk management systems perform those duties independently of HLAH and its subsidiaries' risk-taking activities;
- b) receive and review reports from pertinent Management Committees;
- c) review and advise on the appointment, remuneration, removal and redeployment of the CRO of HLA and HLMT;
- d) engage privately with each CRO on a regular basis (and in any case at least once annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function; and
- e) undertake such other risk management functions as may be agreed to by the GBRMC and the respective Boards of HLAH and its subsidiaries.

###### **Compliance**

###### **1. The GBRMC shall assist the respective Boards of HLAH and its subsidiaries in the oversight of the management of their compliance risk by:**

- a) reviewing compliance policies and overseeing the implementation of the same;
- b) reviewing the establishment of the compliance function and the position of the CCOs of HLA and HLMT to ensure the compliance function and CCOs are provided with appropriate standing, authority and independence;
- c) discussing and deliberating regularly the compliance issues of HLAH and its subsidiaries and oversee that such issues are resolved effectively and expeditiously;
- d) reviewing annually the effectiveness of HLAH and its subsidiaries' overall management of compliance risk, having due regard to the assessments of their respective Senior Managements and internal audits, as well as their interactions with the CCOs; and
- e) updating the respective Boards of HLAH and its subsidiaries on all significant compliance matters, including providing its views on (a) to (d) above.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(b) GBRMC under HLAH (continued)**

###### **Compliance (continued)**

2. In relation to the role of the CCOs, support the respective Boards of HLAH and its subsidiaries in meeting the expectations on compliance management as set out in Policy Document on Compliance by:
  - a) reviewing and advising on the appointment, remuneration, termination and redeployment of the CCOs;
  - b) ensuring that the CCOs have sufficient stature to allow for effective engagement with the Group Managing Director/Chief Executive Officer ("GMD/CEO") or CEO, as the case may be, and other members of Senior Management;
  - c) engaging privately with each CCO on a regular basis (and in any case at least once annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function; and
  - d) ensuring that the CCOs are supported with sufficient resources, including competent officers, to perform his/her duties effectively.
3. Where a CCO also carries out responsibilities in respect of other control functions, the GBRMC must be satisfied they do not compromise the soundness of the overall control environment by the combination of responsibilities performed by the CCO.
4. The CCOs shall undertake such other compliance function as may be agreed to by the GBRMC as well as the respective Boards of HLAH and its subsidiaries.

###### **Authority**

1. The GBRMC is authorised by the Boards of HLAH and its subsidiaries to:
  - review their activities within these Terms of Reference;
  - seek such information as it may require from any Director or member of their Senior Managements, and all their employees are directed to co-operate with any request made by the GBRMC, including but not limited to provide the GBRMC with sufficient support and resources required to investigate any matter within the mandates of the GBRMC; and
  - obtain independent legal or other professional advice as it considers necessary.

The Board remains fully accountable for any authority delegated to GBRMC.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(b) GBRMC under HLAH (continued)**

###### **Meetings**

- 1) The GBRMC shall meet at least six (6) times a year and additional meetings as may be called at any time, as and when necessary.
- 2) The GMD/CEO, CEO, Chief Financial Officer, CRO, Chief Internal Auditor, CCO, Head of Internal Audit and other Senior Management, employees of the Company and its subsidiaries may be invited to attend the GBRMC meetings, whenever required.
- 3) Issues raised, discussions, deliberations, decisions and conclusions made at the GBRMC meetings are recorded in the minutes of the meetings. A GBRMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBRMC meeting where the material transaction or material arrangement is being deliberated.
- 4) A majority with at least one independent and non-executive director from each of the BNM regulated entities in the HLAH Group (i.e., HLAH, HLA and HLMT) shall constitute a quorum.
- 5) After each GBRMC meeting, the GBRMC shall report and update the Boards of HLAH, HLA and HLMT on significant issues and concerns discussed during the meeting and where appropriate, make the necessary recommendations to their respective Boards.

###### **Revision of Term of Reference**

Any revision or amendment to the Term of Reference proposed by the Management of the Company, HLA and HLMT, and where appropriate endorsed and recommended by the GBRMC, shall first be presented to their respective Board of approval. Upon the relevant Board's approval, the said revision or amendment shall form part of these Term of Reference, which shall be considered duly revised or amended.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (b) GBRMC under HLAH (continued)

###### Activities

The GBRMC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2023, eight (8) GBRMC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Mr Sim Hong Kee	8/8
Ms Koid Swee Lian	8/8
YBhg Dato' Siow Kim Lun @ Siow Kim Lin	8/8
Encik Zulkiflee bin Hashim	8/8
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	8/8

###### (c) Group Board Information and Technology Committee ("GBITC") under HLFG

###### Constitution

The GBITC was established to support the Boards of HLFG, Hong Leong Investment Bank Berhad ("HLIB"), HLA and HLMT, in discharging the following responsibilities:

- Oversee technology and cyber security related matters.
- Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
- Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM's policy document on Risk Management in Technology.
- Facilitate discussions amongst entities to rationalise practices and policies, and to seek consistent practices across entities.

For the purpose of this Terms of Reference:

- 'Boards' means the Boards of (i) HLFG; (ii) HLIB; (iii) HLA; and (iv) HLMT.
- 'Companies' and 'Company' means (i) HLFG; (ii) HLIB; (iii) HLA; and (iv)
- 'BARMC' means Board Audit and Risk Management Committee.
- 'GBRMC' means Group Board Risk Management Committee.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (c) GBITC under HLFPG (continued)

The GBITC comprises the following members:

Ms Chong Chye Neo

*(GBITC Chairman and Independent Non-Executive Director of HLFPG)*

YM Raja Noorma binti Raja Othman

*(Independent Non-Executive Director of HLFPG and HLIB)*

YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah

*(Independent Non-Executive Director of HLMT)*

YBhg Dato' Ng Wan Peng

*(Independent Non-Executive Director of HLA)*

##### **Secretary**

The Secretariat to the GBITC is the Company Secretary(ies) of HLFPG.

##### **Group Governance**

Noted that:

- a) HLFPG as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within HLFPG Group.
- b) HLFPG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the HLFPG Group.
- c) HLFPG's IT related functions may propose objectives, strategies, plans, governance framework and policies for group-wide adoption and implementation.
- d) The respective subsidiaries' board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at HLFPG level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific issues are adequately addressed in the implementation of group-wide policies.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(c) GBITC under HLFM (continued)**

###### **Terms of Reference**

- To review management's strategies relating to technology and cyber security and their alignment to the Companies' overall strategy, objectives and risk appetite.
- To ensure that the Companies' technology risk appetite is aligned to Companies' overall risk appetite statement.
- To review the adequacy of management's information technology and cyber security strategic plans over a three year period and periodically review these plans at least once every year.
- To oversee management's implementation of sound and robust technology-related frameworks, encompassing technology risk management and cyber resilience.
- To ensure that the Companies' technology-related frameworks encompassing technology risk management and cyber resilience, remains relevant on an ongoing basis.
- To review the Companies' technology-related frameworks encompassing technology risk management and cyber resilience at least once every three years, for the Boards' affirmation.
- To review management's reporting to the Boards on measures taken to:
  - a) Identify and examine technology risk (including cyber risk) faced by the Companies;
  - b) Ensure strategies are in place to safeguard the Companies against current and emerging technology and/or cyber risks;
  - c) Assess effectiveness of controls put in place to manage these risks; and
  - d) Conduct appropriate and timely closure of IT audit findings.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(c) GBITC under HLFM (continued)**

###### **Terms of Reference (continued)**

- To review and ensure that management provides sufficient detailed information on key technology risk and critical technology operations to facilitate strategic decision-making. This includes reporting enterprise key risk indicators on the IT and cyber health posture.
- To review and report to the Boards on emerging global technology trends and their potential application within the Companies, to either enhance the business operations, safeguard existing businesses or improve overall technology security.
- To review post implementation reports of key technology projects to ensure that results are aligned to the risk posture stipulated in the initial project request.
- To review and report to the Boards on the strategic benchmarking of technology performance against external peer groups from time to time.
- To review the effectiveness of disaster recovery plans and disaster recovery testing to ensure high system resilience of technology systems, datacentres etc.
- To review and ensure adequacy of cyber security investments and that its associated roadmap for implementation is acceptable.
- Other technology and cyber security related matters as may be agreed by the Boards.

###### **Authority**

GBITC is authorised by the Boards to review any technology-related activities of the Companies within its terms of reference. It is authorised to seek any technology-related information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBITC.

The GBITC is authorised by the Boards to obtain independent legal or other professional advice if it considers it necessary to perform the duties delegated by the Boards to this committee.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(c) GBITC under HLFG (continued)**

###### **Meetings**

The GBITC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary.

The President and Chief Executive Officer, Group Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Chief Information Security Officer, Head of Group Operations and Technology, Chief IT Officer, other senior management and external auditors of HLFG and its subsidiaries may be invited to attend the GBITC meetings, whenever required.

Issues raised, as well as discussions, deliberations, decisions and conclusions made at the GBITC meetings are recorded in the minutes of the GBITC meetings. A GBITC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBITC meeting where the material transaction or material arrangement is being deliberated by the GBITC.

Two (2) members of the GBITC shall constitute a quorum.

After each GBITC meeting, the GBITC shall report and update the Boards on significant technology-related issues and concerns discussed during the GBITC meetings and where appropriate, make the necessary recommendations to the Boards for its deliberation and approval.

The minutes of each GBITC meeting shall be tabled to the Board of each company.

###### **Revision of the Term of Reference**

Any revision or amendment to the Term of Reference proposed by the GBITC, shall be presented to the Board for their approval. Upon the Board's approval, the said revision or amendment shall form part of these Term of Reference which shall be considered duly revised or amended.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (c) GBITC under HLFM (continued)

###### Activities

The GBITC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2023, five (5) GBITC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Ms Chong Chye Neo	5/5
YM Raja Noorma binti Raja Othman	5/5
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	5/5
YBhg Dato' Ng Wan Peng	5/5

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(d) Nomination Committee ("NC")**

The composition of the NC is as follows:

Encik Zulkiflee bin Hashim

*(NC Chairman and Independent Non-Executive Director)*

Ms Loh Guat Lan

*(Non-Independent Executive Director)*

YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah

*(Independent Non-Executive Director)*

###### **Secretary**

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the NC.

###### **Terms of Reference**

The NC's responsibilities are as follows:

- Support the Board in carrying out its functions in the following matters concerning the Board, Shariah Committee ("SC"), Senior Management and Company Secretary(ies):
  - a) appointments and removals;
  - b) composition;
  - c) performance evaluation and development; and
  - d) fit and proper assessments.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (d) NC (continued)

###### Terms of Reference (continued)

The NC's responsibilities are as follows: (continued)

- Recommend to the Board the minimum criteria and skill sets for appointments of the Board, Board Committees, SC and for the position of Chief Executive Officer ("CEO").
- Review and recommend to the Board all Board, Board Committees and SC appointments, re-appointments and removals including that of the CEO.
- Review annually the overall composition of the Board and SC in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, competence, knowledge and mix of skills and other core competencies required.
- Assess annually the performance and effectiveness of the Board, Board Committees, each individual director and SC member and their contributions to the overall functions.
- Oversee the appointment and management of succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

During the financial year ended 30 June 2023, four (4) NC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Zulkiflee bin Hashim	4/4
Ms Loh Guat Lan	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	4/4

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (e) Remuneration Committee ("RC")

The composition of the RC is as follows:

Encik Zulkiflee bin Hashim

*(RC Chairman and Independent Non-Executive Director)*

YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah

*(Independent Non-Executive Director)*

YBhg Dato' Bakarudin bin Ishak

*(Independent Non-Executive Director)*

##### Secretary

The Secretary(ies) of the Company or such other person as nominated by the Board will be the Secretary(ies) of the RC.

##### Terms of Reference

The RC's responsibilities are as follows:

- Recommend to the Board the framework and policies governing the remuneration of the following:
  - a) Directors;
  - b) SC;
  - c) CEO;
  - d) Senior Management officers; and
  - e) Other material risk takers.
- Review and recommend to the Board for approval the specific remuneration packages of executive directors and the CEO.
- Review and recommend to the Board for approval the remuneration of Senior Management officers and other material risk takers.
- Review and recommend to the Board for approval the remuneration of SC members.
- Other remuneration matters as may be agreed by the Board.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### B. Board Committees (continued)

###### (e) RC (continued)

###### Terms of Reference (continued)

During the financial year ended 30 June 2023, one (1) RC meeting was held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Encik Zulkiflee bin Hashim	1/1
YBhg Dato' Nicholas John Lough @ Sharif Lough Bin Abdullah	1/1
YBhg Dato' Bakarudin bin Ishak	1/1

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting.

The Company's remuneration strategy supports and promotes a high performance culture to deliver the Company's vision to be a highly digital and innovative takaful operator. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **B. Board Committees (continued)**

###### **(e) RC (continued)**

###### **Remuneration Policy**

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process which incorporates meritocracy in performance, the Company's values, key behaviours in accordance to our Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

The remuneration framework also reinforces robust internal governance on performance and remuneration of control functions which are measured and assessed independently from business units/functions they support to avoid any conflict of interests. The framework stipulates that for effective segregation these staff will be appraised principally based on achievement of their control objectives.

The remuneration process includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of Chief Executive Officer, senior management officers and other material risk takers are reviewed and approved by the Remuneration Committee and Board annually. The Company's maintains and regularly reviews a list of officers who fall within the definition of "other material risk takers".

###### **Key components of remuneration structure**

The overall total compensation for the Company generally includes base salary, fixed allowances, performance-based variable pay and employee benefits.

- **Fixed Pay (Base Salary and Fixed Allowances)**  
Fixed pay is determined based on competency level, skills, experience, performance and market competitive levels; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.
- **Variable pay (Cash Bonus, Deferred Cash and Incentive)**  
Variable pay is declared based on overall Company's performance, line of business and individual performance. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and stakeholders. Payout is aligned to time horizon of risk to avoid excessive risk taking and provide for malus, clawback and deferral arrangements.
- **Employee Benefits**  
Employee benefits are used to foster employees' sense of being valued and sense of wellbeing,

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023  
(CONTINUED)****CORPORATE GOVERNANCE (CONTINUED)****B. Board Committees (continued)****(e) RC (continued)**

The remuneration for Senior Officers and Material Risk Takers for financial year ended 30th June 2023 is shown in the table below:

Total value of remuneration awards for the financial year	CEO		Senior Management and other Material Risk Takers	
	Unrestricted (RM)	Deferred (RM)	Unrestricted (RM)	Deferred (RM)
<b>Fixed Remuneration</b>				
• Cash-based	706,320	-	4,615,028	-
• Shares and share-linked	-	-	-	-
• Other	-	-	-	-
<b>Variable Remuneration</b>				
• Cash-based	538,267	-	1,419,167	-
• Shares and share-linked	-	-	-	-
• Other	231,424	-	1,390,976	-

**C. Independence**

The Company has in place a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy") under the Fit and Proper Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon completion of the 9 years, an independent director shall retire on the expiry date of his or her term of office approved by BNM.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a Director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from Directors who have, over time, gained valuable insight into the Company, its market and the industry.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **C. Independence (continued)**

The independent Directors have declared their Independence, and the NC and the Board have determined, at the annual assessment carried out, that the independent Directors, have continued to bring objective judgment to the Board deliberations and decision making. The tenure of all the Independent directors on the Board does not exceed 9 years.

##### **D. Commitment**

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016. They support the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and Senior Management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the CEO of the Company.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **D. Commitment (continued)**

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

##### **E. Internal Controls Framework**

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and is equipped with effective operations and risk management, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard assets of the Company and stakeholders' interest.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. It is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; policies and procedures; self-assessment process for business units to assess and manage the adequacy and effectiveness of its systems of internal controls and the level of compliance with applicable rules and regulations; and a monitoring and reporting process.

###### **(a) Infrastructure**

While the Board is ultimately responsible for the management of risks within the Company, several oversight committees have been established over the years to facilitate in depth review of the risks associated with specific aspects of the business such as NC, RC, GBAC, GBRMC, Executive Committee ("EXCO"), Investment Committee, Information Technology Steering Committee, Product Approval/Evaluation Committee, Underwriting and Claims Committee, etc. The duties and scope of work of these committees are documented in their respective terms of reference.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **E. Internal Controls Framework (continued)**

###### **(a) Infrastructure (continued)**

The Company has generally establish organisational structure with defined authorities, accountability and segregation of duties. The Company operates its respective business units within the policies, functional, financial and operating reporting standards and control procedures developed by the Company. Such reporting standards and control procedures are generally supplemented by standard operating procedures developed by the business units.

###### **(b) Policies and Procedures**

The Company has established risk management policies that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The policies outline the common risk management processes across key risks types within the Company.

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the Board. These cover key areas of risk such as:

- Whistleblowing Policy
- Anti-Corruption System Policy
- Donation Policy
- Code of Conduct and Ethics
- Anti-Money Laundering, Countering Financing of Terrorism and Targeted
- Financial Sanctions Policy
- Internal Capital Adequacy Assessment Process Policy
- Investment Policy
- Product Development Policy
- Management of Customer Information Policy
- Risk Management Policy
- Compliance Policy
- Audit Charter

Policies and procedures are reviewed regularly to ensure continued relevance and to capture the latest regulatory, statutory and Group requirements. Policies are endorsed by EXCO and GBRMC and subsequently approved by the Board while operating procedures are approved by EXCO, as appropriate, to formalise their application within the Company.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **E. Internal Controls Framework (continued)**

###### **(c) Self-assessment Process**

Risk Self-Assessment and Compliance Self-Assessment tools are established in the Company. The results of the assessment are reported to the EXCO Committee and GBRMC and subsequently to the Board via GBRMC's highlights.

###### **(d) Monitoring and Reporting**

The Company has identified the key risks that have significant impact on its capital adequacy risk, solvency risk, strategic risk, credit risk, market risk, interest rate risk, liquidity risk, technology risk, takaful risk, operational risk and compliance risk. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring these risks through appropriate limits, control procedures and oversight.

An Enterprise Risk Dashboard that provides holistic view of the Company's risk profile is submitted to EXCO for review and reported to GBRMC for notation.

The Company has a process to collate statistics for Company-wide Key Risk Indicators as well as operational loss events reporting (via ORION) to EXCO and GBRMC and subsequently to the Board via GBRMC's highlights on a regular basis.

##### **F. Corporate Independence**

The Company has complied with BNM's Guidelines on Related Party Transactions (BNM/RH/GL-018-6) in respect of all its related party undertakings. All necessary disclosures have been made to the Board regularly and where required, prior Board approval has been obtained. All material related party transactions are disclosed in Note 23 to the financial statements.

##### **G. Management Accountability**

The Company operates in an organisational structure and environment which are constantly being reviewed and enhanced to ensure that it remains appropriate for the operating environment. Human resource procedures of the Company provide for the setting of goals and training of each employee. The Company conducts formal appraisals for each employee on an annual basis.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **CORPORATE GOVERNANCE (CONTINUED)**

##### **H. Public Accountability**

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff of the Company are required to comply with the Code of Ethics and Conduct.

##### **I. Relationship with Auditors**

The external auditors are appointed on the recommendation by the GBAC, which determines the remuneration of the external auditors. The external auditors meet with the GBAC to:

- a) Present the scope of the audit before the commencement of audit; and
- b) Review the results of the financial year as well as the Internal Control letter after the conclusion of the audit.

##### **J. Shariah Committee ("SC")**

The Board has appointed an independent Shariah Committee ("SC"), whose members are made up of qualified persons as approved by BNM, to provide advice, decision, views and opinions related to Shariah matters, as well as perform oversight role on Shariah matters related to the business operations, affairs and activities to ensure compliance with Shariah.

The members of the SC are as follows:

Prof. Dr. Amir Shaharuddin	(Chairman)
Puan Zarinah Mohd Yusoff	(Member)
Dr. Ahmad Zakirullah Mohamed Shaarani	(Member)
Dr. Syahnaz Sulaiman (Re-appointed with effect from 1st April 2023)	(Member)
Assoc. Prof. Dr. Engku Muhammad Tajuddin Engku (Appointed with effect from 1st April 2023)	(Member)

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### CORPORATE GOVERNANCE (CONTINUED)

##### J. SC (continued)

During the financial year ended 30 June 2023, eight (8) SC meetings were held and the attendance of the members was as follows:

<u>Members</u>	<u>Attendance</u>
Prof. Dr. Amir Shaharuddin	8/8
Puan Zarinah Mohd Yusoff	8/8
Assoc. Prof. Dr. Asmak Ab Rahman	*7/7
Dr. Ahmad Zakirullah Mohamed Shaarani	8/8
Dr. Syahnaz Sulaiman	8/8
Assoc. Prof. Dr. Engku Muhammad Tajuddin Engku Ali	**1/1

**Note:**

\*Assoc. Prof. Dr. Asmak Ab Rahman resigned on 31 March 2023.

\*\*Assoc. Prof. Dr. Muhammad Engku Tajuddin Engku Ali was appointed on 1 April 2023.

The SC has the responsibility to provide objective and sound advice to the Company to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- a) providing a decision or advice to the Company on the application of any rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Company;
- b) providing a decision or advice on matters which require a reference to be made to the SAC;
- c) providing a decision or advice on the operations, business, affairs and activities of the Company which may trigger a Shariah non-compliance event;
- d) deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- e) endorsing a rectification measure to address a Shariah non-compliance event.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **HOLDING COMPANIES**

The immediate, penultimate and ultimate holding companies are HLAH, HLFM and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

#### **OTHER STATUTORY INFORMATION REGARDING THE COMPANY**

- (I) As at the end of the financial year
- (a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that there was adequate provision for its takaful liabilities in accordance with the valuation method specified in the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by BNM;
  - (ii) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (iii) to ensure that any current assets, which were unlikely to be realised at their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Company during the financial year had not been substantially affected by any item, transaction or event of a material and unusual nature, other than those disclosed in the financial statements.
- (II) As at the end of the financial year to the date of this report
- (a) The Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements misleading; and
  - (iii) which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **OTHER STATUTORY INFORMATION REGARDING THE COMPANY (CONTINUED)**

(II) As at the end of the financial year to the date of this report (continued)

(b) In the opinion of the Directors:

- (i) the results of the operations of the Company for the financial year ended 30 June 2023 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature which had arisen in the interval between the end of the financial year and the date of this report; and
- (ii) 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 their obligations as and when they fall due (for the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from Takaful contract underwritten in the ordinary course of business of the Company).

(III) As at the date of this report

- (a) There are no charges on the assets of the Company which had arisen since the end of the financial year to secure the liabilities of any other person;
- (b) There are no contingent liabilities which had arisen since the end of the financial year; and
- (c) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

#### **AUDITORS' REMUNERATION**

Auditors' remuneration of the Company is RM1,661,500. Details of the auditors' remuneration are set out in Note 19 to the financial statements.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023  
(CONTINUED)**

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

The report was approved by the Board of Directors on 21 September 2023. Signed on behalf of the Board of Directors.



MARTIN GILES MANEN  
DIRECTOR



LOH GUAT LAN  
DIRECTOR

Petaling Jaya  
21 September 2023

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Martin Giles Manen and Loh Guat Lan, being two of the Directors of **HONG LEONG MSIG TAKAFUL BERHAD**, state that to the best of knowledge and belief of the Directors, the financial statements set out on pages 61 to 155 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia to give a true and fair view of the financial position of the Company as at 30 June 2023 and financial performance of the Company for the financial year ended 30 June 2023.

On behalf of the Board,



MARTIN GILES MANEN  
DIRECTOR



LOH GUAT LAN  
DIRECTOR

Petaling Jaya  
21 September 2023

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)  
(Incorporated in Malaysia)

**STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Lin Choi Foo, being the officer primarily responsible for the financial management of **HONG LEONG MSIG TAKAFUL BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 61 to 155 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the above named Lin Choi Foo  
at Selangor Darul Ehsan this  
21 September 2023

)  
)  
)



Before me



COMMISSIONER FOR OATHS



Suite A, No. 5, Jalan 14/30,  
Section 14,  
46100 Petaling Jaya, Selangor

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **REPORT OF THE SHARIAH COMMITTEE**

In the name of Allah, The Beneficent, The Merciful.

To the Shareholders of Hong Leong MSIG Takaful Berhad,

In carrying out the roles and the responsibilities of the Shariah Committee as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia and in compliance with the letter of appointment, we are required to submit the following report:

We have reviewed to the best of our knowledge, the principles and the contracts relating to the transactions and applications introduced by the Company during the financial year ended 30 June 2023. We have also conducted our review to form an opinion as to whether the Company has complied with Shariah rules and principles and with the specific fatwas, rulings and guidelines issued by Shariah Advisory Council of Bank Negara Malaysia and us.

The Company's management is responsible for ensuring that the Company conducts its business in accordance with Shariah rules and principles. It is our responsibility to oversee the implementation and effectiveness of the Shariah governance and form an independent opinion and report, based on our review of the principles and contracts in relation to transactions and applications of the Company.

We had approved in our meetings, initiatives to strengthen the Shariah governance of the Company to ensure the Company's business operations are in line with Shariah rules and principles.

We have assessed the work carried out by Shariah review and Shariah audit conducted on a scheduled and periodic basis which included examining, on a test basis, type of transaction, the relevant documentation and procedures adopted by the Company. As for the Shariah risk management, the Company has put an effective control in governing and managing Shariah non-compliant risk.

We performed our review on the basis of information and explanations provided to us which are deemed essential together with sufficient evidence to give reasonable assurance that the Company has not violated Shariah rules and principles.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

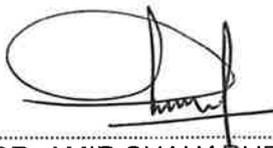
### REPORT OF THE SHARIAH COMMITTEE (CONTINUED)

In our opinion and to the best of our knowledge:

- the contracts, transactions and relevant documentations entered into and applied by the Company during the financial year ended 30 June 2023 as presented and deliberated to us are in compliance with the Shariah rules and principles. There was no incident involving Shariah Non-Compliance event on the business conducted by the Company;
- the allocation of profit and charging of losses relating to investment of participants and shareholders funds disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles;
- no earnings have been realised from sources or by means prohibited by the Shariah principles;
- the calculation of business Zakat and distribution of charitable fund has been approved by us and in compliance with Shariah principles.

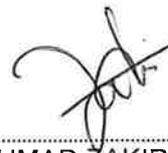
We, Prof. Dr. Amir Shaharuddin and Dr. Ahmad Zakirullah Mohamed Shaarani, on behalf of Shariah Committee of Hong Leong MSIG Takaful Berhad, do hereby confirm that the operations of Hong Leong MSIG Takaful Berhad for the year ended 30 June 2023 have been conducted in conformity with the Shariah principles. There was no issue that has attracted our attention in believing that the business, operations, affairs and activities of the Company might be involved with any material Shariah Non-Complaint which could impact the Company's business.

We beg Allah the Almighty to grant us all the success and straight-forwardness.



PROF. DR. AMIR SHAHARUDDIN

Chairman  
Shariah Committee  
Petaling Jaya  
21 September 2023



DR. AHMAD ZAKIRULLAH  
MOHAMED SHAARANI  
Member  
Shariah Committee



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD**  
(Incorporated in Malaysia)  
Registration No. 200601018337 (738090-M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Our opinion

In our opinion, the financial statements of Hong Leong MSIG Takaful Berhad (“the Company”) give a true and fair view of the financial position of the Company as at 30 June 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 30 June 2023, and the statement of income, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 61 to 155.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and other ethical responsibilities*

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

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 Directors’ Report and Report of the Shariah Committee, but does not include the financial statements of the Company and our auditors’ report thereon.

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*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, [www.pwc.com/my](http://www.pwc.com/my)*



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
Registration No. 200601018337 (738090-M)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

Our opinion on the financial statements of the Company does not cover the other information 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 other information and, in doing so, consider whether the other information 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 this other information, 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 the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 200601018337 (738090-M)

REPORT ON 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:

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

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



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HONG LEONG MSIG TAKAFUL BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
Registration No. 200601018337 (738090-M)

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants



WONG HUI CHIEN  
03252/05/2024 J  
Chartered Accountant

Kuala Lumpur  
21 September 2023

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	Note	2023			2022		
		Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Property and equipments	3	12,138	-	12,138	12,835	-	12,835
Right-of-use assets	4 (a)	10,386	-	10,386	12,222	-	12,222
Intangible assets	5	8,591	-	8,591	5,583	-	5,583
Financial assets							
- fair value through profit or loss	6 (a)	197,685	1,178,432	1,371,059	170,389	859,467	1,025,112
- amortised cost	6 (b)	-	20,010	20,010	1,897	14,234	16,131
Deferred tax assets	15	3,173	-	3,173	5,502	3,244	8,746
Tax recoverable		4,092	-	4,092	1,447	-	1,447
Retakaful assets		-	96,117	96,117	-	61,669	61,669
Takaful receivables	7	-	22,069	22,069	-	16,404	16,404
Qard receivables	8	18,083	-	-	-	-	-
Other receivables	9	10,223	4,951	14,860	45,140	6,472	18,563
Due from related companies		562	-	562	584	-	584
Cash and cash equivalents	10	14,052	221,459	235,511	18,558	231,572	250,130
<b>Total assets</b>		<b>278,985</b>	<b>1,543,038</b>	<b>1,798,568</b>	<b>274,157</b>	<b>1,193,062</b>	<b>1,429,426</b>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONTINUED)**

	Note	2023			2022		
		Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Shareholders' equity</b>							
Share capital	16	200,000	-	200,000	200,000	-	200,000
Retained Profit/(Accumulated Losses)		9,231	(18,083)	(8,852)	9,003	-	9,003
<b>Total equity</b>		<b>209,231</b>	<b>(18,083)</b>	<b>191,148</b>	<b>209,003</b>	<b>-</b>	<b>209,003</b>
<b>Liabilities</b>							
Takaful contract liabilities	11	-	1,480,627	1,475,569	-	1,088,980	1,084,236
Lease liabilities	4 (b)	10,933	-	10,933	12,552	-	12,552
Tax payables		-	2,161	2,161	-	2,767	2,767
Takaful payables	12	10,386	8,826	19,212	7,214	25,711	32,925
Expense liabilities	13	14,863	-	14,863	19,560	-	19,560
Qard payables		-	18,083	-	-	-	-
Other payables	14	32,996	49,685	82,367	25,445	75,604	68,000
Deferred tax liabilities	15	-	1,739	1,739	-	-	-
Due to related companies		576	-	576	383	-	383
<b>Total liabilities</b>		<b>69,754</b>	<b>1,561,121</b>	<b>1,607,420</b>	<b>65,154</b>	<b>1,193,062</b>	<b>1,220,423</b>
<b>Total equity and liabilities</b>		<b>278,985</b>	<b>1,543,038</b>	<b>1,798,568</b>	<b>274,157</b>	<b>1,193,062</b>	<b>1,429,426</b>

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

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

	2023			2022		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Gross contributions	-	653,857	653,857	-	544,414	544,414
Contributions ceded to retakaful	-	(96,674)	(96,674)	-	(75,234)	(75,234)
Net contributions	-	557,183	557,183	-	469,180	469,180
Wakalah income	168,648	-	-	146,018	-	-
Surplus sharing from Family Takaful Funds	4,658	-	-	10,525	-	-
Share of investment profit from Family Takaful	3,579	-	-	3,413	-	-
Investment Income	17 8,213	43,370	55,162	7,373	28,334	39,120
Financial Assets gains/(loses)	18 4,542	51,315	55,542	(11,008)	(54,602)	(65,512)
Other operating income	6,450	677	7,127	6,995	74	5,974
Other income	196,090	95,362	117,831	163,316	(26,194)	(20,418)
Gross benefits and claim	-	(202,791)	(202,791)	-	(106,398)	(106,398)
Claims ceded to retakaful	-	89,746	89,746	-	53,244	53,244
Gross change to Takaful contract liabilities	-	(402,729)	(402,415)	-	(239,880)	(239,978)
Change in Takaful contract liabilities ceded to retakaful	-	25,220	25,220	-	5,443	5,443
Net benefits and claims	-	(490,554)	(490,240)	-	(287,591)	(287,689)

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

	2023			2022		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Wakalah expenses	-	(168,648)	-	-	(146,018)	-
Surplus sharing with Takaful Operator	-	(4,658)	-	-	(10,525)	-
Fees and commission expense	(104,676)	-	(104,676)	(94,140)	-	(94,140)
Management expenses	19 (92,460)	-	(92,460)	(68,927)	-	(68,927)
Change to expense liability	4,697	-	4,697	(8,877)	-	(8,877)
Other operating expenses	(538)	(3)	(540)	-	(1,586)	(491)
Other expenses	<u>(192,977)</u>	<u>(173,309)</u>	<u>(192,979)</u>	<u>(171,944)</u>	<u>(158,129)</u>	<u>(172,435)</u>
Profit/(Loss) before zakat and taxation	3,113	(11,318)	(8,205)	(8,628)	(2,734)	(11,362)
Tax income/(expense) attributable to participants	20 -	(6,765)	(6,765)	-	2,734	2,734
Profit/(Loss) before taxation attributable to Takaful Operator	3,113	(18,083)	(14,970)	(8,628)	-	(8,628)
Taxation	20 (2,885)	-	(2,885)	4,702	-	4,702
Zakat	-	-	-	-	-	-
Net profit/(loss) for the financial year	<u>228</u>	<u>(18,083)</u>	<u>(17,855)</u>	<u>(3,926)</u>	<u>-</u>	<u>(3,926)</u>
Loss per share (sen)			<u>(8.93)</u>			<u>(1.96)</u>

*The accompanying notes form an integral part of the financial statements.*

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

	2023			2022		
	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Net profit/(loss) for the financial year	<u>228</u>	<u>(18,083)</u>	<u>(17,855)</u>	<u>(3,926)</u>	<u>-</u>	<u>(3,926)</u>
Total comprehensive income/(loss) for the financial year	<u>228</u>	<u>(18,083)</u>	<u>(17,855)</u>	<u>(3,926)</u>	<u>-</u>	<u>(3,926)</u>

*The accompanying notes form an integral part of the financial statements.*

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

	Issued and fully paid ordinary shares		Distributable	
	Number of shares	Share Capital	(Accumulated losses)/Retained profit	Total
	'000	RM'000	RM'000	RM'000
At 1 July 2021	200,000	200,000	12,929	212,929
Total comprehensive loss for the financial year	-	-	(3,926)	(3,926)
At 1 July 2022	200,000	200,000	9,003	209,003
Total comprehensive loss for the financial year	-	-	(17,855)	(17,855)
At 30 June 2023	200,000	200,000	(8,852)	191,148

*The accompanying notes form an integral part of the financial statements.*

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

	Note	2023 RM'000	2022 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the financial year		(17,855)	(3,926)
Adjustments for:			
Depreciation of property and equipments	3	1,085	634
Depreciation of right-of-use assets	4 (a)	1,848	1,326
Finance cost on lease liabilities	19	711	548
Amortisation of intangible assets	5	2,227	1,610
Fair value (gain)/loss on financial assets	6 (a)	(55,550)	65,512
Amortisation of premiums-net	17	728	916
Profits and dividend income	17	(55,890)	(40,036)
Zakat		-	-
Taxation	20	9,650	(7,436)
Operating (loss)/income before changes in working capital		(113,046)	19,148
Proceeds from disposal of investments	6 (a)	138,716	121,965
Maturity of investments	6 (a)	21,667	30,000
Purchase of investments	6 (a)	(449,799)	(352,116)
(Increase)/Decrease in amortised cost financial assets		(4,038)	18,499
Increase in retakaful assets		(34,448)	(25,351)
Increase in takaful receivables		(5,665)	(5,963)
Decrease/(Increase) in other receivables		36,599	(5,633)
Decrease/(Increase) in amount due from related companies		22	(264)
(Decrease)/Increase in expenses liabilities		(4,697)	8,877
Increase in family takaful contract liabilities		391,332	281,710
(Decrease)/Increase in takaful payables		(13,713)	18,859
(Decrease)/Increase in other payables		(18,368)	8,006
Increase in amount due to related companies		193	100
		(55,245)	117,837
Tax paid		(5,589)	(7,235)
Profit received		46,291	31,660
Dividend received		7,608	5,506
Net cash generated (used in)/from operating activities		(6,935)	147,768

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

	Note	2023 RM'000	2022 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipments	3	(5,671)	(6,194)
Purchase of intangible assets	5	-	(214)
Net cash used in investing activities		<u>(5,671)</u>	<u>(6,408)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease liabilities		(1,300)	(997)
Payment of finance cost on lease liabilities	19	<u>(711)</u>	<u>(548)</u>
Net cash used in financing activities		<u>(2,011)</u>	<u>(1,545)</u>
Net (decrease)/increase in cash and cash equivalents		(14,617)	139,815
Cash and cash equivalents at beginning of the financial year		250,130	110,315
<b>Cash and cash equivalents at the end of the financial year</b>	10	<u>235,513</u>	<u>250,130</u>

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are mainly funded from the cash flows associated with the origination of takaful contracts, net the cash flows for payments of benefits and claims incurred for takaful contract, which are treated under operating activities.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023**

#### **1 CORPORATE INFORMATION**

Hong Leong MSIG Takaful Berhad has been principally engaged in the management of family takaful and takaful investment-linked business. Within the financial year, there were no significant changes in the nature of the principal activities.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 30, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur. The principal place of business of the Company is located at Level 5, Tower B, PJ City Development, No 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

The immediate, penultimate and ultimate holding companies are HLA Holdings Sdn Bhd, Hong Leong Financial Group Berhad and Hong Leong Company (Malaysia) Berhad respectively, all companies incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 September 2023.

#### **2 SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Company reflects the amalgamated of financial information and results between Takaful Operator and Takaful funds. These two funds have been presented as a single economic entity for the respective financial years disclosed. Interfund balances and transactions are eliminated at the Company's financial statements.

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the financial information of the Company in the statement of financial position, the statement of comprehensive income as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act 2013 ("IFSA") in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for transactions and events in similar circumstances.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

- (a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company and are effective.

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective and applicable for the Company's financial year beginning on or after 1 July 2022 are as follows:

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to MFRSs 2018 – 2020 Cycle : Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities' and Amendments to Illustrative Examples accompanying MFRS 16 "Leases"
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

- i) Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' - effective 1 January 2023

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

The amendments shall be applied retrospectively.

- ii) Amendments to MFRS 101 'Classification of liabilities as current or non-current'- effective 1 January 2023

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

ii) Amendments to MFRS 101 'Classification of liabilities as current or non-current'- effective 1 January 2023 (continued)

The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied retrospectively.

iii) MFRS 17 'Insurance Contracts' and its amendments and Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information" - effective 1 January 2023

MFRS17 replaces the guidance in MFRS 4 "Insurance Contracts".

MFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes MFRS 4.

MFRS 17 provides comprehensive guidance on accounting for takaful contracts issued, retakaful contracts held, and investment contracts with discretionary participation features. It introduces three new measurement models, reflecting a different extent of certificate holder participation in investment performance or overall takaful entity performance.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)
- iii) MFRS 17 'Insurance Contracts' and its amendments and Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information" - effective 1 January 2023 (continued)

The general measurement model, also known as the building block approach, consists of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the certificate holders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period.

At inception, the contractual service margin cannot be negative. If the fulfillment cash flows lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the statement of profit or loss. At the end of a reporting period, the carrying amount of a group of takaful contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage consists of the fulfillment cash flows related to future services and the contractual service margin, while the liability for incurred claims consists of the fulfillment cash flows related to past services. The contractual service margin gets adjusted for changes in cash flows related to future services and for the interest accretion at interest rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognised in profit or loss each period to reflect the services provided in that period based on "coverage units".

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

iii) MFRS 17 'Insurance Contracts' and its amendments and Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information" - effective 1 January 2023 (continued)

MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Company has defined the account value for the reflection of investment services and the sum at risk for takaful services as the default approach to determine the coverage units. If multiple services are provided in one contract, the coverage units will be the simple sum of all the maximum possible benefit amount payable assuming all events happen concurrently. The variable fee approach is a modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. A takaful contract has a direct participation feature if the following three requirements are met:

- (a) the contractual terms specify that the certificate holder participates in a share of a clearly identified pool of underlying items;
- (b) the entity expects to pay to the certificate holder an amount equal to a substantial share of the fair value returns on the underlying items; and
- (c) the entity expects a substantial proportion of any change in the amounts to be paid to the certificate holder to vary with the change in fair value of the underlying items.

The assessment of whether a takaful contract meets these three criteria is made at product level at product pricing stage and not revised subsequently. For contracts with direct participation features, the contractual service margin is adjusted for changes in the amount of the entity's share of the fair value of the underlying items. No explicit interest accretion is required since the contractual service margin is effectively remeasured when it is adjusted for changes in financial risks.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

iii) MFRS 17 'Insurance Contracts' and its amendments and Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information" - effective 1 January 2023 (continued)

For takaful contracts measured under general measurement model and variable fee approach, the Company will allocate insurance acquisition cash flows to the groups of takaful contracts and recognise as an asset takaful acquisition cash flows paid. This will be amortised based on the coverage unit of the groups of takaful contracts.

The premium allocation approach is a simplified approach for the measurement of the liability of remaining coverage, an entity may choose to use when the premium allocation approach provides a measurement which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of takaful contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the annualised premiums due, less the amount of premiums that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. The measurement of the liability for incurred claims is identical under all three measurement models, except there is no discounting applied for premium allocation approach.

MFRS 17 requires the separation of embedded derivatives, investment components, and performance obligations to provide non-insurance goods and services, if certain conditions are met. The separated components need to be accounted for separately according to MFRS 9 (embedded derivatives, investment components) or MFRS 15 (non-insurance goods and services). Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual takaful contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

iii) MFRS 17 'Insurance Contracts' and its amendments and Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information" - effective 1 January 2023 (continued)

MASB's Issues Bulletin 2 on Columnar Presentation of Takaful Funds in Takaful Entity Financial Statements provided clarity on columnar presentation and providing options on columns to be presented as supplementary information with the requirements of BNM and Islamic Financial Services Act 2013 in Malaysia to segregate assets, liabilities, income and expenses of Family Takaful funds from its own.

The Company will be presenting two standalone columns on the takaful fund (also known as Participant Funds) and the consolidated takaful entity in which the presentation of income statement, balance sheet and notes.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Family Takaful Fund is regarded as supplementary financial information in which Family Takaful Fund would apply MFRS 17 in view of transfer of risk between individual participants and family takaful fund under takaful contracts. There will be no contractual service margin (CSM) in the family takaful fund on the basis of surplus due to participant is fully shared between participant where Takaful Operator's share of surplus is regarded as expense in Family Takaful Fund. At the Company level, there would be a CSM because the Company as a whole would generate profit from conducting the takaful business.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.1 Basis of preparation (continued)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

iii) MFRS 17 'Insurance Contracts' and its amendments and Amendment to MFRS 17 "Initial Application of MFRS 17 and MFRS 9 - Comparative Information" - effective 1 January 2023 (continued)

In terms of transition approach, the Company applied MFRS 17 for annual reporting period beginning on 1 July 2022. MFRS 17 has to be applied retrospectively unless it is impracticable. If a full retrospective application (FRA) is impracticable, an entity can choose between a modified retrospective approach (MRA) or a fair value approach (FVA). The objective of the MRA is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to FRA. For FVA, the CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 Fair Value Measurement and the FCF (any negative difference would be recognised in retained earnings at the transition date).

For takaful contracts issued, the Company adopted the modified retrospective approach for business written in annual cohorts between 1 July 2014 to 30 June 2022. For business written prior to 1 July 2014, fair value approach is adopted.

Full retrospective approach will be applied for takaful contracts issued from 1 July 2022 onwards.

The preparation of the 1 July 2022 comparatives and the 1 July 2023 results under the new standard is progressing as planned. The Company expects a negative equity impact on the transition to MFRS 17.

Except as mentioned above, the initial application of the other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 July 2022 are not expected to have any material financial impact to the current period and prior period financial statements of the Company.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies

###### (a) Property and equipment

Property and equipment are stated at cost, net of the amount of sales and services tax (SST) less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Repairs and maintenance costs are charged to statement of income during the financial year in which they are incurred.

Property and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Computer equipment	5 years
Furniture & fittings, office equipment and renovation	5 years
Motor vehicles	4 years

Work-in-progress is carried at cost and is depreciated when the asset is available for use. The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each date of statement of financial position.

At each date of statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in statement of income.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(b) Intangible assets - computer software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of 5 years.

###### **(c) Leases**

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

###### **Lease term**

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(c) Leases (continued)**

The Company reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company, and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

###### **ROU assets**

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received; and
- any initial direct costs

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

###### **Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(c) Leases (continued)**

Lease payments are discounted using profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, an incremental borrowing rate is used in determining the discount rate which assumes the profit rate that the Company would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic profit rate on the remaining balance of the liability for each period.

The Company presents the lease liabilities as a separate line item in the statements of financial position. Profit rate expense on the lease liability is presented under management expense in the statement of income.

###### **Short term leases and leases of low value assets**

The Company elect to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(d) Financial instruments**

###### **i) Classification and measurement of financial instruments**

The Company classifies its financial assets in the following measurement categories:

- Amortised cost
- Fair value through statement of income ("FVTPL")

At initial recognition, the Company measure a financial asset at fair value plus transaction costs that are directly attributable to acquisition of the financial asset in the case of a financial asset not FVTPL. Transaction costs of financial assets carried at FVTPL are expensed in the income statements.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (d) Financial instruments (continued)

###### (i) Classification and measurement of financial instruments (continued)

The classification requirements for debt and equity instruments are described as below:

###### 1) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate sukuks and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the following factors:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial assets.

Based on these factors, the Company classify their debt instruments into one of the following two measurement categories:

###### a) Financial assets at amortised cost

Financial assets where the contractual cash flows represent solely payments of principal and interest, and that are not designated as FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into statement of other comprehensive income. The profit income from this financial assets is included in investment income using the effective interest rate method. Upon derecognition, any gain or loss will be recognised in statement of income and included in realised gains/(losses).

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (d) Financial instruments (continued)

###### (i) Classification and measurement of financial instruments (continued)

###### 1) Debt instruments (continued)

###### b) Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in statement of income and presented in the statement of income within realised gains / (losses) in the period in which it arises. The interest income is recognised into income statements using the effective interest rate method.

###### 2) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuers' perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuers' net assets.

The Company subsequently measure all equity instruments at FVTPL. Dividend will be recognised in income statements as investment income when the Company's right to receive payments is established.

Changes in fair value of financial assets at FVTPL are included in the fair value gains/(losses) in the statement of income.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (d) Financial instruments (continued)

###### (ii) Reclassification policy

Reclassification of financial assets is required when, and only when, the Company change their business model for managing the assets. In such cases, the Company are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at fair value through statement of income, or equity instruments that have been designated as at fair value through other comprehensive income even when there is a change in business model. Such designations are irrevocable.

###### (iii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date on which the Company committed to purchase or sell the assets at trade-date. Financial assets are derecognised when the right to receive cash flow from the financial asset have expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

###### (iv) Impairment for debt instruments

The Company assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has two types of financial instruments that are subject to the ECL model:

- Takaful receivables
- Other receivables

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

##### (d) Financial instruments (continued)

##### (iv) Impairment for debt instruments (continued)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### 1) General 3-stage approach for other receivables

At each reporting date, the Company measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on other receivables not increased significantly since initial recognition. For all other receivables, a loss allowance at an amount equal to lifetime ECL is required.

##### 2) Simplified approach for Takaful receivables

The Company applies simplified approach to measure ECL which uses a lifetime ECL for all Takaful receivables. The expected loss allowance is based on provisional matrix with the usage of forward-looking information in determining of ECL, including the use of macroeconomic information.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (e) Fair value of financial instruments

The fair values of Government Investment Issues and unquoted corporate securities are based on indicative fair market prices/index by reference to the quotations provided by banks and brokers.

The fair values of quoted securities are based on current market prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

The fair value of structured deposits is based on the prices quoted by the issuing financial institution.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit or placement and accrued profit. The fair value of fixed profit or yield-bearing deposits is measured at the face value or market value, whichever is lower.

###### (f) Qard

Qard represents benevolent loan from Takaful Operator to meet deficits in participants' special accounts and shall be repaid from future surpluses from the participants' special accounts in Takaful funds.

In preparing the separate financial statements of the Takaful Operator, qard receivable is stated at cost and at each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.2 (g) on impairment of assets.

In preparing the separate financial statements of the respective Takaful funds, qard payable is stated at cost. Qard balances are eliminated in preparing the Company's statement of financial position.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (g) Impairment of non-financial assets

At each date of statement of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Impairment is measured by comparing carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows.

An impairment loss is charged to statement of income of the respective funds immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. A reversal of such impairment loss is recognised in statement of income of respective funds immediately.

###### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and deposits held at call with Islamic financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose. The Company classifies the cash flow for the purchase and disposal of investment in financial asset in its operating cash flows as the purchases are funded from the cash flow associated with the origination of Takaful contracts, net of the cash flow for payment of Takaful benefits and claims benefits.

###### (i) Taxation

Taxation for the financial year comprises current and deferred tax.

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered or paid to tax authorities. The tax rates used to compute the amount are those that are enacted or substantially enacted at the date of the statement of financial position.

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and includes all taxes based upon the taxable profits.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (i) Taxation (continued)

Deferred tax is recognised in full, using the liability method, providing for temporary differences arising between the carrying amounts of assets and liabilities for tax purpose. However, deferred tax is not recognised for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable statement of income.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the statement of financial position date are used to determine deferred tax.

###### (j) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Advisory Committee. Zakat provision is calculated based on 2.5% of net asset method. Zakat is only provided when there is a commitment or an obligation exists as at financial year end.

###### (k) Management expenses, commission expenses and wakalah fee

Acquisition costs, commissions and management expenses are borne by the Takaful Operator in statement of income at an agreed percentage of the gross contribution, in accordance with the principles of "Wakalah" as approved by the Company's Shariah Committee and agreed between the participants and the Company. These expenses are allocated to the Takaful Operator via upfront wakalah fee and special wakalah fee.

Upfront wakalah fee is allocated to the Takaful Operator and recognised as income upon issuance of certificates.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (k) Management expenses, commission expenses and wakalah fee (continued)

Special wakalah fee is the monthly tabarru' from the participants' account to the participants' special account and is deferred as a liability under "special fund reserve" in participants' special account. Special wakalah fee may be distributed to the Takaful Operator and participants in the ratio specified in the certificate contract, based on the recommendation by the Appointed Actuary when the participants' special account is in a surplus position after an annual actuarial valuation of the participants' special account at the end of the financial year. Undistributed special wakalah fee for a particular year cannot be carried forward for distribution in a future financial year, and hence, will form a part of Takaful contract liabilities in participants' special account.

In the event that the participants' special account is in a deficit position, the deficit in the participants' special account will be made good by the "special fund reserve" arising from monthly allocation of tabarru'/donation before the Takaful Operator via a benevolent loan or Qard.

###### (l) Expense liabilities

At each reporting date, the Company estimates its net future expenses cashflow required on the maintenance of the Takaful funds in accordance with the Guidelines on Valuation Basis for Liabilities of Family issued by BNM. If the estimate shows that there is a deficiency in the net future expense cashflow, the deficiency is recognised as expense liabilities.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (m) Employee benefits

###### Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Company.

###### Post employment benefits

The Company's contributions to the national defined contribution plan, the Employees' Provident Fund, are charged to statement of income of the respective funds in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

###### (n) Product classification

The Company, on behalf of Takaful funds, issues contracts that transfer Takaful risk and financial risk.

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

Takaful contracts are those contracts that transfer significant Takaful risk. A Takaful contract is a contract under which the Takaful Operator, on behalf of Takaful funds, has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the Takaful event) adversely affects the participants. As a general guideline, the Company defines significant Takaful risk to be the possibility of having to pay benefits on the occurrence of a Takaful event that are at least 5% more than the benefits payable if the Takaful event did not occur.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (n) Product classification (continued)

Investment contracts are those contracts that transfer financial risk with no significant takaful underwriting risk.

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

Based on the Company's assessment, all such contracts underwritten by the Company meet the definition of Takaful contracts and accordingly are classified as Takaful contracts.

Takaful contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
  - the statement of income of the Company, fund or other entity that issues the contract.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (n) Product classification (continued)

Surpluses in the DPF fund are distributable to participants and the Company in accordance with the relevant terms under the Takaful contracts. The Company however has the discretion over the amount and timing of the distribution of these surpluses to participants, subject to the advice of the Company's Appointed Actuary. The Company does not recognise the guaranteed component separately from the DPF and the whole contract liabilities, including both guaranteed and discretionary and unallocated surplus at the end of the reporting period are held within the Takaful contract liabilities.

For financial options and guarantees which are not closely related to the host Takaful contract, bifurcation is required to measure these embedded derivatives separately at fair value through statement of income. However, bifurcation is not required if the embedded derivative is itself a Takaful contract, or embedded options to surrender Takaful contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Takaful contracts that contain both a financial risk component and a significant Takaful risk component are not unbundled and classified as Takaful contracts as the current accounting policy recognises all Takaful contributions, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the statement of income.

###### (o) Retakaful contracts

Takaful funds cede Takaful risk in the normal course of business for its businesses. Retakaful assets represent balances due from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(o) Retakaful contracts (continued)**

Retakaful 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 retakaful asset that the fund 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 fund will receive from the retakaful operator. The impairment loss is recorded in statement of income.

Contributions and claims on assumed facultative retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the ceded retakaful business. Contributions, claims and other transactions costs on assumed treaty retakaful are accounted for upon notification by the ceding companies or upon receipts of statements of accounts.

Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

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

Retakaful contracts that do not transfer significant Takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less an explicit identified contributions or fees to be retained by the retakaful operator.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (p) Family Takaful contracts

###### Family Takaful fund

The Family Takaful fund is maintained in accordance with the requirements of the IFSA and includes the amount attributable to participants, if any. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund, and is distributed in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

Any actuarial deficit in the Family Takaful fund will be made good by the Takaful Operator via a benevolent loan or Qard and are being reflected as Qard receivable in the separate financial statement of Takaful Operator and Qard payable in the separate financial statement of Family Takaful fund.

###### Contribution income

Contributions include contributions recognised in the Family Takaful fund and investment-linked funds.

Contributions are recognised as soon as the amount of contributions can be reliably measured. Initial contribution is recognised from inception date and subsequent contributions are recognised on due dates.

Contributions of investment-linked funds are in respect of the net creation of units which represent contributions paid by participants as payment for new certificates or subsequent payments to increase the amount of their certificate. Net creation of units is recognised on a receipt basis.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (p) Family Takaful contracts (continued)

###### Benefits, claims and expense

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the Takaful Operator is notified.

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Benefits and claims arising on Family Takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a Family Takaful certificate are recognised as follows:

- (i) Maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) Death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the participant or occurrence of contingency covered.

The benefits payable under investment-linked business are in respect of net redemption of units and are recognised as surrenders.

###### Family Takaful contract liabilities

These liabilities comprise (i) claims liabilities, (ii) actuarial liabilities, (iii) unallocated surplus/deficit and (iv) fair value adjustment.

###### (i) Claims liabilities

The amounts payable under a Family Takaful certificate in respect of benefits and claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (p) Family Takaful contracts (continued)

###### (ii) Actuarial liabilities

Actuarial liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities are measured by a prospective actuarial valuation method. The liability is determined as present value of future benefits from the Takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate. The liabilities are based on best estimate assumptions and with due regard to significant recent experience. Provision of risk margin for adverse deviation ("PRAD") at 75% confidence level was made in the valuation of these liabilities.

In the case of a 1-year Family Takaful certificate or 1-year extension to a Family Takaful certificate shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date.
- (b) For a certificate covering contingencies other than death or survival, the liability for such family takaful certificate comprises the provision for unearned contribution and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported.

The liability is derecognised when the contract expires, is discharged or is cancelled.

As the valuation methods used to value liabilities are in accordance with the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework"), the Company is deemed to have complied with the requirement of a liability adequacy test under MFRS 4.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.2 Summary of significant accounting policies (continued)

###### (p) Family Takaful contracts (continued)

###### (iii) Unallocated surplus/deficits

Unallocated surplus represents the remaining underwriting surplus in the participants' special account that may be distributed to the Takaful Operator and participants upon recommendation by the Appointed Actuary, subject to approval by the Shariah Committee and Board of Directors, plus the remaining balance of special fund reserves as set out in Note 2.2(k). Unallocated surplus is reported as a separate component of the Takaful Contract liabilities in Family Takaful fund.

Unallocated deficits represents accumulated deficit in the Family Takaful fund. This is reported as accumulated losses in Family Takaful fund and the Company's equity in the statements of financial position.

###### (iv) Fair value adjustment

Where unrealised gains or losses arise on financial assets of the Family Takaful fund, the adjustment to the Takaful contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have had on those liabilities is recognised directly in statement of income.

###### (q) Other revenue recognition

Investment income is recognised on a time proportion basis taking into account the effective yield of the asset.

Investment profit of Family Takaful funds is shared by the participants and the Takaful Operator at an agreed percentage, in accordance with the principles of Mudharabah basis as approved by the Company's Shariah Committee and agreed between the participants and the Company.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(r) Foreign currencies**

###### **(i) Functional and presentation currencies**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

###### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting in the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of income of respective funds.

###### **(s) Contingent liabilities and contingent assets**

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

## **HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **2.2 Summary of significant accounting policies (continued)**

###### **(t) Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each date of the statement of financial position and adjusted to reflect the current best estimate.

##### **2.3 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

###### **(a) Critical judgements made in applying the Company's accounting policies**

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

###### **(b) Key sources of estimation uncertainty and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk at causing a materials adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 2.3 Significant accounting judgements, estimates and assumptions (continued)

###### (b) Key sources of estimation uncertainty and assumptions (continued)

###### (i) Actuarial liabilities for Family Takaful fund

Family Takaful contract liabilities are recognised at the start of takaful coverage. The coverage starts upon the received of contribution and as the contracts are entered into.

Actuarial valuation is performed to determine the actuarial liabilities in accordance to the Guidelines on Valuation Basis of Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and Risk Based Capital Framework for Takaful Operators (BNM/RH/PD 033-4).

Actuarial liabilities are certified by the Company's Appointed Actuary and are set up based on the appropriate methodology as guided by the valuation guidelines. Depending on the plan type, the valuation methodology consist of one or a combination of (1) the present value of future benefits less the present value of future Tabarru', (2) Sterling method, (3) the Unearned Tabarru' Reserve ("UTR"), (4) the Unexpired Risk Reserve ("URR"), and (5) the Incurred But Not Reported claims reserves ("IBNR"). The expected future cash flows is determined based on best estimate assumption with allowance for Provision of Risk Margin for Adverse Deviation ("PRAD"), and is discounted at the appropriate risk discount rate as defined in the guidelines.

For credit-related plans, the higher of the present value of future benefits less the present value of future Tabarru', and the UTR is taken as the actuarial liabilities.

For plan without participant accounts, the liabilities are valued as the present value of future benefits less the present value of future Tabarru'.

For plan with participant accounts, the liabilities are valued by using Sterling Discounted Cash Flow method. Sterling reserve is valued by projecting the future cash flows to ensure all future outgo can be met without recourse to additional finance or capital support at any future time during the duration of the certificate.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty and assumptions (continued)

(i) Actuarial liabilities for Family Takaful fund (continued)

For yearly renewable group term/medical products without participant accounts, the liabilities are comprise of the higher of provision for UTR and URR, as well as IBNR.

Details of key assumptions used and the sensitivity analysis are shown in Note 26.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****3 PROPERTY AND EQUIPMENTS**Takaful Operator/Company

	Furniture and fittings RM'000	Renovation, equipment and computers RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Cost</u>					
At 1 July 2021	421	4,644	485	8,137	13,687
Additions	211	986	-	4,997	6,194
Reclassification (Note 5)	-	1,467	-	(3,697)	(2,230)
At 30 June 2022	632	7,097	485	9,437	17,651
Additions	7	483	-	5,181	5,671
Reclassification (Note 5)	-	369	-	(5,604)	(5,235)
Write Off	-	-	-	(48)	(48)
At 30 June 2023	639	7,949	485	8,966	18,039
<u>Accumulated depreciation</u>					
At 1 July 2021	381	3,555	246	-	4,182
Charge for the financial year (Note 19)	36	477	121	-	634
At 30 June 2022	417	4,032	367	-	4,816
Charge for the financial year (Note 19)	53	917	115	-	1,085
At 30 June 2023	470	4,949	482	-	5,901
<u>Net carrying amount</u>					
At 30 June 2022	215	3,065	118	9,437	12,835
At 30 June 2023	169	3,000	3	8,966	12,138

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****4 RIGHT-OF-USE ASSETS/LEASE LIABILITIES**Takaful Operator/Company

	2023	2022
	<u>RM'000</u>	<u>RM'000</u>
(a) Right-of-use assets		
At 1 July	12,222	6,215
Additions	706	7,333
Modifications	(694)	-
Charge for the financial year (Note 19)	<u>(1,848)</u>	<u>(1,326)</u>
At 30 June	<u>10,386</u>	<u>12,222</u>

## (b) Lease liabilities

Scheduled repayment of lease liabilities, showing contractual discounted cash flows:

	2023	2022
	<u>RM'000</u>	<u>RM'000</u>
Scheduled repayment of lease liabilities		
- Up to 1 year	1,498	1,458
- 1 to 5 years	6,175	6,076
- Over 5 years	3,260	5,018
Total	<u>10,933</u>	<u>12,552</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 5 INTANGIBLE ASSETS

Takaful Operator/Company

	2023	2022
	RM'000	RM'000
<u>Cost</u>		
At 1 July	22,784	20,340
Additions	-	214
Reclassification (Note 3)	5,235	2,230
At 30 June	<u>28,019</u>	<u>22,784</u>
 <u>Accumulated amortisation</u>		
At 1 July	17,201	15,591
Amortisation (Note 19)	2,227	1,610
At 30 June	<u>19,428</u>	<u>17,201</u>
 Net carrying amount	<u>8,591</u>	<u>5,583</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****6 FINANCIAL ASSETS**

## (a) Fair value through profit or loss

i) The Company's financial assets are summarised by categories as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Government Investment Issues	2,649	179,418	182,067
Corporate sukuks	139,465	810,848	950,313
Equity securities quoted in Malaysia	24,891	160,665	185,556
Unit and property trust funds	23,388	16,889	40,277
Investments in investment-linked funds	5,058	-	-
Accrued profit	2,234	10,612	12,846
Total	<u>197,685</u>	<u>1,178,432</u>	<u>1,371,059</u>
Current	2,234	10,612	12,846
Non-current	<u>195,451</u>	<u>1,167,820</u>	<u>1,358,213</u>
	<u>197,685</u>	<u>1,178,432</u>	<u>1,371,059</u>
<u>30 June 2022</u>			
Government Investment Issues	2,594	188,555	191,149
Corporate sukuks	125,039	524,677	649,716
Equity securities quoted in Malaysia	23,665	127,555	151,220
Unit and property trust funds	12,349	9,621	21,970
Investments in investment-linked funds	4,744	-	-
Accrued profit	1,998	9,059	11,057
Total	<u>170,389</u>	<u>859,467</u>	<u>1,025,112</u>
Current	1,998	9,059	11,057
Non-current	<u>168,391</u>	<u>850,408</u>	<u>1,014,055</u>
	<u>170,389</u>	<u>859,467</u>	<u>1,025,112</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****6 FINANCIAL ASSETS (CONTINUED)****(a) Fair value through profit or loss (continued)****ii) Carrying value of financial instruments**

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 July 2022	170,389	859,467	1,025,112
Purchases	36,270	413,454	449,724
Maturities	(10,200)	(11,467)	(21,667)
Disposals	(3,500)	(135,216)	(138,716)
Financial assets gains/(losses) (Note 18)	4,542	51,315	55,542
Accretion of discount, net of amortisation of premium (Note 17)	(52)	(676)	(728)
Movement in accrued profit	236	1,555	1,791
At 30 June 2023	<u>197,685</u>	<u>1,178,432</u>	<u>1,371,059</u>
At 1 July 2021	190,829	702,548	888,535
Purchases	58,000	293,964	351,964
Maturities	(15,900)	(14,100)	(30,000)
Disposals	(51,792)	(70,173)	(121,965)
Financial assets gains/(losses) (Note 18)	(11,008)	(54,602)	(65,512)
Accretion of discount, net of amortisation of premium (Note 17)	(15)	(901)	(916)
Movement in accrued profit	275	2,731	3,006
At 30 June 2022	<u>170,389</u>	<u>859,467</u>	<u>1,025,112</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****6 FINANCIAL ASSETS (CONTINUED)****(a) Fair value through profit or loss (continued)****iii) Fair value hierarchy**

The table below shows the financial assets recorded at fair value by their valuation method.

**Level 1:**

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:**

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:**

Inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30 June 2023</u>			
Level 1	48,279	177,554	225,833
Level 2	149,406	1,000,878	1,145,226
	<u>197,685</u>	<u>1,178,432</u>	<u>1,371,059</u>
<u>30 June 2022</u>			
Level 1	36,014	137,177	173,191
Level 2	134,375	722,290	851,921
	<u>170,389</u>	<u>859,467</u>	<u>1,025,112</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 6 FINANCIAL ASSETS (CONTINUED)

## (b) Amortised cost

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Fixed and cash deposits with licensed financial institutions	-	20,000	20,000
Accrued profit	-	10	10
	<u>-</u>	<u>20,010</u>	<u>20,010</u>
<u>30 June 2022</u>			
Fixed and cash deposits with licensed financial institutions	1,888	14,074	15,962
Accrued profit	9	160	169
	<u>1,897</u>	<u>14,234</u>	<u>16,131</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 7 TAKAFUL RECEIVABLES

	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>		
Outstanding contributions including agents, brokers and co-takaful balances	22,069	22,069
	<u>22,069</u>	<u>22,069</u>
<u>30 June 2022</u>		
Outstanding contributions including agents, brokers and co-takaful balances	16,404	16,404
	<u>16,404</u>	<u>16,404</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**Offsetting of financial assets and financial liabilities**

No financial assets and liabilities have been set off for presentation purposes.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 8 QARD RECEIVABLES

	Takaful Operator RM'000
<u>30 June 2023</u>	
Qard Receivables	18,083
	<u>18,083</u>
<u>30 June 2022</u>	
Qard Receivables	-
	<u>-</u>

Qard represents a qard (interest free loan) to the Family Takaful funds to make good the deficit in the respective Family Takaful funds. Qard is measured at cost less any impairment losses in Shareholders' fund whereas in the Family Takaful fund, qard is measured at cost. At the end of each reporting period, the loan is assessed for any indication of impairment via an assessment of the estimated surpluses or cash flows from Family Takaful fund and time value of money.

The qard receivable was tested for impairment with the result that the recoverable amount is plausible to cover its carrying amount, therefore impairment loss is not required.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 9 OTHER RECEIVABLES

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Dividend receivables	7,081	192	7,273
Amount due from Family Takaful Fund (Note 14)	314	-	-
Other receivables	2,828	4,759	7,587
	<u>10,223</u>	<u>4,951</u>	<u>14,860</u>
<u>30 June 2022</u>			
Dividend receivables	3,387	196	3,583
Amount due from Family Takaful Fund (Note 14)	33,049	-	-
Other receivables	8,704	6,276	14,980
	<u>45,140</u>	<u>6,472</u>	<u>18,563</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**Offsetting of financial assets and financial liabilities**

No financial assets and liabilities have been set off for presentation purposes.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Cash and bank balances	1,098	7,030	8,128
Short term deposits	12,950	214,181	227,131
Accrued profit	4	248	252
	<u>14,052</u>	<u>221,459</u>	<u>235,511</u>
<u>30 June 2022</u>			
Cash and bank balances	1,348	10,470	11,818
Short term deposits	17,208	221,075	238,283
Accrued profit	2	27	29
	<u>18,558</u>	<u>231,572</u>	<u>250,130</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 11 TAKAFUL CONTRACT LIABILITIES

	2023			2022		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Total Family Takaful Fund	1,480,627	(96,117)	1,384,510	1,088,980	(61,669)	1,027,311
Elimination of investment in investment-linked funds	(5,058)	-	(5,058)	(4,744)	-	(4,744)
Total Company	<u>1,475,569</u>	<u>(96,117)</u>	<u>1,379,452</u>	<u>1,084,236</u>	<u>(61,669)</u>	<u>1,022,567</u>

Family Takaful contract liabilities

The Family Takaful contract liabilities and its movements are further analysed as follows:

	2023			2022		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Certificateholders' liabilities	1,290,425	(44,919)	1,245,506	945,517	(28,268)	917,249
Net asset value attributable to certificateholders	58,291	-	58,291	47,610	-	47,610
Actuarial liabilities	1,348,716	(44,919)	1,303,797	993,127	(28,268)	964,859
Claims liabilities	98,657	(51,198)	47,459	68,626	(33,401)	35,225
Unallocated surplus	33,254	-	33,254	27,227	-	27,227
	<u>1,480,627</u>	<u>(96,117)</u>	<u>1,384,510</u>	<u>1,088,980</u>	<u>(61,669)</u>	<u>1,027,311</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 11 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

Family Takaful contract liabilities (continued)

	2023			2022		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At the beginning of the financial year	1,088,980	(61,669)	1,027,311	807,368	(36,317)	771,051
Contribution received	653,857	(96,674)	557,183	544,414	(75,234)	469,180
Liabilities paid for death, maturities, surrenders, benefits and claims	(202,791)	89,746	(113,045)	(106,398)	53,244	(53,154)
Movement in claims liabilities	(30,031)	17,797	(12,234)	(48,096)	19,909	(28,187)
Reserve on new policies	12,301	(4,131)	8,170	47,060	(3,964)	43,096
Change in assumptions	957	(367)	590	4,960	(4,180)	780
Miscellaneous	31,597	(40,819)	(9,222)	25,474	(15,127)	10,347
Net asset value attributable to unit holders	10,681	-	10,681	8,504	-	8,504
Fees deducted	(168,648)	-	(168,648)	(146,018)	-	(146,018)
Investment income	94,685	-	94,685	(26,268)	-	(26,268)
Surplus distributed to Takaful Operator	(5,642)	-	(5,642)	(10,525)	-	(10,525)
Surplus distributable to participants	(5,319)	-	(5,319)	(11,495)	-	(11,495)
At the end of the financial year	<u>1,480,627</u>	<u>(96,117)</u>	<u>1,384,510</u>	<u>1,088,980</u>	<u>(61,669)</u>	<u>1,027,311</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 12 TAKAFUL PAYABLES

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Due to agents and intermediaries	10,386	-	10,386
Due to retakaful operators	-	8,826	8,826
	<u>10,386</u>	<u>8,826</u>	<u>19,212</u>
<u>30 June 2022</u>			
Due to agents and intermediaries	7,214	-	7,214
Due to retakaful operators	-	25,711	25,711
	<u>7,214</u>	<u>25,711</u>	<u>32,925</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**Offsetting of financial assets and financial liabilities**

No financial assets and liabilities have been set off for presentation purposes.

## 13 EXPENSE LIABILITIES

Takaful Operator/Company

	2023 RM'000	2022 RM'000
At the beginning of the financial year	19,560	10,682
Increase/(decrease) during the financial year	<u>(4,697)</u>	<u>8,878</u>
At the end of the financial year	<u>14,863</u>	<u>19,560</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 14 OTHER PAYABLES

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Contribution deposits	-	18,186	18,186
Amount due to Takaful Operator Fund (Note 9)	-	314	-
Sundry payables and accruals	32,996	31,185	64,181
	<u>32,996</u>	<u>49,685</u>	<u>82,367</u>
<u>30 June 2022</u>			
Contribution deposits	-	23,653	23,653
Amount due to Takaful Operator Fund (Note 9)	-	33,049	-
Sundry payables and accruals	25,445	18,902	44,347
	<u>25,445</u>	<u>75,604</u>	<u>68,000</u>

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

**Offsetting of financial assets and financial liabilities**

No financial assets and liabilities have been set off for presentation purposes.

## 15 DEFERRED TAX ASSETS/(LIABILITIES)

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 relates to the same authority.

The following amounts, determined after appropriate offsetting, are shown in the statements of financial position.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax balances are as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 1 July 2021	(2,204)	(1,851)	(4,055)
Recognised in profit or loss (Note 20)	7,706	5,095	12,801
At 30 June 2022/1 July 2022	5,502	3,244	8,746
Recognised in profit or loss (Note 20)	(2,329)	(4,983)	(7,312)
At 30 June 2023	3,173	(1,739)	1,434

Presented after appropriate offsetting as follows:

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>30 June 2023</u>			
Deferred tax liabilities	-	(1,739)	(1,739)
Deferred tax assets	3,173	-	3,173
	3,173	(1,739)	1,434
Non-current	3,173	(1,739)	1,434
<u>30 June 2022</u>			
Deferred tax assets	5,502	3,244	8,746
	5,502	3,244	8,746
Non-current	5,502	3,244	8,746

The components and movements of deferred tax assets/(liabilities) during the financial year prior to offsetting are as follows:

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 15 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Expenses liabilities RM'000	Financial assets RM'000	Company RM'000
<u>Takaful Operator</u>			
At 1 July 2021	-	(2,204)	(2,204)
Recognised in profit or loss	4,694	3,012	7,706
At 30 June 2022/1 July 2022	4,694	808	5,502
Recognised in profit or loss	3,567	(5,896)	(2,329)
At 30 June 2023	8,261	(5,088)	3,173
<u>Family Takaful Fund</u>			
At 1 July 2021	-	(1,851)	(1,851)
Recognised in profit or loss	-	5,095	5,095
At 30 June 2022/1 July 2022	-	3,244	3,244
Recognised in profit or loss	-	(4,983)	(4,983)
At 30 June 2023	-	(1,739)	(1,739)
<u>Company</u>			
At 1 July 2021	-	(4,055)	(4,055)
Recognised in profit or loss	4,694	8,107	12,801
At 30 June 2022/1 July 2022	4,694	4,052	8,746
Recognised in profit or loss	3,567	(10,879)	(7,312)
At 30 June 2023	8,261	(6,827)	1,434

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 16 SHARE CAPITAL

Takaful Operator/Company

	2023		2022	
	No. of shares '000	RM'000	No. of shares '000	RM'000
Issued and fully paid ordinary shares:				
At the beginning/end of the financial year	200,000	200,000	200,000	200,000

## 17 INVESTMENT INCOME

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>			
<u>FVTPL</u>			
Profit income	5,735	39,837	45,572
Amortisation of premiums - net (Note 6(a))	(52)	(676)	(728)
Dividend income	1,603	6,005	7,608
<u>Amortised cost</u>			
Profit income	19	392	411
<u>Cash and cash equivalents</u>			
Profit income	918	1,243	2,161
	8,223	46,801	55,024
Less: Share of investment profit of Takaful funds with Takaful Operator	-	(3,579)	-
Less: Investment Charges	(10)	148	138
	8,213	43,370	55,162

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 17 INVESTMENT INCOME (CONTINUED)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2022</u>			
<u>FVTPL</u>			
Profit income	5,808	27,002	32,810
Amortisation of premiums - net (Note 6(a))	(15)	(901)	(916)
Dividend income	1,361	4,145	5,506
<u>Amortised cost</u>			
Profit income	37	659	696
<u>Cash and cash equivalents</u>			
Profit income	253	829	1,082
	<u>7,444</u>	<u>31,734</u>	<u>39,178</u>
Less: Share of investment profit of Takaful funds with Takaful Operator	-	(3,413)	-
Less: Investment Charges	(71)	13	(58)
	<u>7,373</u>	<u>28,334</u>	<u>39,120</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 18 FINANCIAL ASSETS GAINS/(LOSSES)

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>			
Realised (losses) on financial assets at fair value through profit or loss	(586)	(9,407)	(9,993)
Unrealised gains on financial assets at fair value through profit or loss	5,128	60,722	65,535
	<u>4,542</u>	<u>51,315</u>	<u>55,542</u>
<u>2022</u>			
Realised gains on financial assets at fair value through profit or loss	1,493	8,224	9,717
Unrealised (losses) on financial assets at fair value through profit or loss	(12,501)	(62,826)	(75,229)
	<u>(11,008)</u>	<u>(54,602)</u>	<u>(65,512)</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 19 MANAGEMENT EXPENSES

	Note	2023 RM'000	2022 RM'000
<u>Takaful Operator/Company</u>			
Staff costs:			
Salary and bonus		31,061	27,675
Staff benefits		6,321	5,510
Directors' fees	24	637	478
Shariah committee remuneration and other expenses			
- remuneration		185	184
- other expenses		25	33
Depreciation of property and equipment	3	1,085	634
Depreciation of right-of-use assets	4(a)	1,848	1,326
Finance cost on lease liability		711	548
Amortisation of intangible assets	5	2,227	1,610
Auditors' remuneration:			
- statutory audit fee		297	198
- MFRS17 proactive assurance fees		1,350	-
- non-audit related services		15	14
Other professional fee		5,909	2,714
Rental of properties		(109)	268
Shared service fee		5,403	4,227
Campaigns and incentives		19,294	15,104
Research & development		27	(4,177)
Electronic data processing expenses		8,796	6,255
Other expenses		7,378	6,326
Total		<u>92,460</u>	<u>68,927</u>

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM1,476,011 (2022: RM1,333,238).

Included in the staff costs are the remuneration for key management personnel, which is disclosed in Note 24.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 19 MANAGEMENT EXPENSES (CONTINUED)

The total remuneration of the Shariah Committee members are as follows:

	2023 RM'000	2022 RM'000
Prof. Dr. Amir Shaharuddin <i>(Re-Appointed with effect from 1st April 2022)</i>	45	46
Puan Zarinah Mohd Yusoff <i>(Re-Appointed with effect from 1st April 2022)</i>	41	42
Dr Ahmad Zakirullah Mohamed Shaarani <i>(Appointed with effect from 1st April 2022)</i>	41	10
Dr Syahnaz Sulaiman <i>(Re-Appointed with effect from 1st April 2023)</i>	41	10
Assoc. Prof. Dr. Engku Muhammad Tajuddin Engku <i>(Appointed with effect from 1st April 2023)</i>	10	-
Assoc. Prof. Dr. Asmak Ab Rahman <i>(Resigned with effect from 31st March 2023)</i>	32	43
Assoc. Prof. Dr. Nurul Aini Muhamed <i>(Resigned with effect from 31st March 2022)</i>	-	33
Dr. Muhammad Aunurrochim Mas'ad Saleh <i>(Resigned with effect from 31st March 2022)</i>	-	33
Total	<u>210</u>	<u>217</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 20 TAXATION

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>			
Current tax:			
- In respect of current financial year	372	1,835	2,207
- Under/(Over) provision in prior financial years	184	(53)	131
Deferred tax expense (Note 15)	2,329	4,983	7,312
Tax expenses	<u>2,885</u>	<u>6,765</u>	<u>9,650</u>

<u>2022</u>			
Current tax:			
- In respect of current financial year	3,363	2,443	5,806
- Over provision in prior financial years	(359)	(82)	(441)
Deferred tax expense (Note 15)	(7,706)	(5,095)	(12,801)
Tax income	<u>(4,702)</u>	<u>(2,734)</u>	<u>(7,436)</u>

The numerical reconciliation between taxation and the product of accounting profit multiplied by the Malaysian tax rate of the Company is as follows:

	2023 RM'000	2022 RM'000
Loss before zakat and taxation	<u>(8,205)</u>	<u>(11,362)</u>
Taxation at Malaysian statutory rate of 24%	(1,969)	(2,727)
Income not subject to tax	(153,534)	(96,644)
Expenses not deductible for tax purposes	161,626	110,475
Effect of difference in tax rate	3,396	(18,099)
Over provision in prior financial years	131	(441)
Tax expense/(income) for the financial year	<u>9,650</u>	<u>(7,436)</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 21 INVESTMENT-LINKED BUSINESS

## (a) Assets and liabilities as at position

	2023	2022
	RM'000	RM'000
<u>Assets</u>		
Fair value through profit and loss financial assets	18,476	35,556
Other receivables	8,782	317
Cash and cash equivalents	9,536	12,285
Investment-linked business assets	<u>36,794</u>	<u>48,158</u>
<u>Liabilities</u>		
Deferred tax liabilities	14	-
Tax payables	37	183
Amount due to non-investment linked Family Takaful Fund*	24	369
Investment-linked business liabilities	<u>75</u>	<u>552</u>
Net asset value of funds	<u>36,719</u>	<u>47,606</u>

\* Eliminated in preparing separate financial statements of Family Takaful fund.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 21 INVESTMENT-LINKED BUSINESS (CONTINUED)

## (a) Assets and liabilities as at position (continued)

	2023	2022
	<u>RM'000</u>	<u>RM'000</u>
Represented by:		
<u>Unitholders' account</u>		
At beginning of the financial year	47,606	39,106
Maturity of investment linked fund	-	-
Net creation of units	(1)	25,429
Net cancellation of units	-	(12,378)
Surplus/(deficit) for the financial year	4	(4,551)
	<u>47,609</u>	<u>47,606</u>

## (b) Income and expenses for the financial year ended 30 June

	2023	2022
	<u>RM'000</u>	<u>RM'000</u>
Investment income	(1,259)	1,181
Realised gains on disposal of investment	(64)	1,639
Fair value gains/(losses) on investments	(3,023)	(5,723)
Other expenses	(1,730)	(1,924)
Surplus/(deficit) before taxation	(6,076)	(4,827)
Taxation:		
- current tax	-	276
	<u>(6,076)</u>	<u>(4,551)</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****22 SEGMENTAL INFORMATION ON CASH FLOW**

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>2023</u>			
Cash flows from:			
Operating activities	3,178	(10,113)	(6,935)
Investing activities	(5,671)	-	(5,671)
Financing activities	(2,011)	-	(2,011)
Net decrease in cash and cash equivalent	(4,504)	(10,113)	(14,617)
Cash and cash equivalents:			
At beginning of financial year	18,558	231,572	250,130
At end of financial year	14,054	221,459	235,513
<u>2022</u>			
Cash flows from:			
Operating activities	16,451	131,317	147,768
Investing activities	(6,408)	-	(6,408)
Financing activities	(1,545)	-	(1,545)
Net increase in cash and cash equivalent	8,498	131,317	139,815
Cash and cash equivalents:			
At beginning of financial year	10,060	100,255	110,315
At end of financial year	18,558	231,572	250,130

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 23 RELATED PARTY TRANSACTIONS

The related parties of, and their relationships with the Company, are as follows:

<u>Related Parties</u>	<u>Relationship</u>
Hong Leong Company (Malaysia) Berhad	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Penultimate holding company
HLA Holdings Sdn Bhd ("HLAH") Mitsui Sumitomo Insurance Corporation, Japan	Immediate holding company
Hong Leong Assurance Berhad	Substantial Shareholder of the Company
Hong Leong Bank Berhad	Subsidiary of immediate holding company
Hong Leong Islamic Bank Berhad	Subsidiary of penultimate holding company
Guoline Intellectual Assets Limited	Subsidiary of penultimate holding company
Key Management Personnel	Subsidiary of ultimate holding company
	The key management personnel of the Company consists of: <ul style="list-style-type: none"><li>- All Directors of the Company</li><li>- Key management personnel of the Company who make certain critical decisions in relation to the strategic direction of the Company</li></ul>
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

The Directors are of the opinion that related party transactions were entered at agreed terms and conditions in the normal course of business.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)****23 RELATED PARTY TRANSACTIONS (CONTINUED)**

Significant related party transactions with related parties during the financial year are as follows:

	2023 RM'000	2022 RM'000
	Income/ (Expense)	Income/ (Expense)
Transactions with companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Commission expenses	(22,968)	(17,007)
- Fund management fee	(3,232)	(2,629)
- Profit from Islamic deposits and money market placements with licensed banks	361	228
- Bank charges	(464)	(379)
- Office rental expenses	(2,160)	(1,869)
- Shared services fee	(5,403)	(4,227)

The related party transactions above are primarily with related parties domiciled in Malaysia.

Transactions between companies within Hong Leong Company (Malaysia) Berhad Group, inclusive of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Assurance Berhad were deemed as related party transactions.

Included in the statement of financial position of the Company were significant related party balances and being represented by the following:

	2023 RM'000	2022 RM'000
Amount due from/(to) other related companies within the Hong Leong Company (Malaysia) Berhad Group:		
- Bank balances	1,919	7,981
- Rental deposit	563	584
- Shared services fee	(575)	(383)
- Reinsurance claim recovery	2,800	1,571

Amounts due to related companies are unsecured, interest free and have no fixed term of repayment.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 24 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are defined as an individual with authority and responsibility on planning, directing and control the Company's activities, either directly or otherwise. The key management personnel inclusive all Directors of the Company and selected senior management members.

Key management personnel's remuneration disclosed as follows:

	2023	2022
	RM'000	RM'000
<u>Non-Executive Directors</u>		
Fees:		
Martin Giles Manen (Chairman)	161	136
Zulkiflee bin Hashim	146	153
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	184	116
Dato' Bakarudin bin Ishak	146	73
	<u>637</u>	<u>478</u>
<u>Key management personnel</u>		
Short term employee benefits:		
Salary and other remuneration	6,576	6,700
Defined contribution retirement plan	1,018	1,039
Benefits-in-kind/perquisite	443	394
	<u>8,037</u>	<u>8,133</u>
Total	<u>8,674</u>	<u>8,611</u>

During the financial year, Directors & Officers of the Company are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors & Officers of the Company subject to the terms of the policy. The total amount of Directors' & Officers' Liability insurance effected for the Directors and Officers of the Hong Leong Financial Group (HLFG) was RM10 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the HLFG Group was RM71,250 (2022:RM84,550) and the apportioned amount of the said premium paid by the Company was RM44.00 (2022:RM313.50).

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 25 RISK MANAGEMENT FRAMEWORK

(a) Risk management framework

The Company has in place a risk management framework and methodology which is based on the Enterprise Risk Management ("ERM") approach. ERM is designed to systematically support the identification, assessment, monitoring and control of significant risks covering market risk, credit risk, operational risk, shariah risk, compliance risk and takaful risk.

The day-to-day responsibility for risk management and control is embedded into the respective business lines and the management of each business lines is responsible to ensure that risk management process is functioning effectively. Risk Management functions as an independent party that is responsible for assessing and reporting the potential impact and probability of the significant risks identified across the organisation and the adequacy of related mitigation programs.

The Integrated Risk Management activities under ERM keeps the Senior Management and Group Board Risk Management Committees ("GBRMC") abreast of material risks that require attention and action plan on a regular basis.

(b) Capital management objectives, policies and approach

Capital management risk is defined as the risk of having an insufficient capital base, which undermines execution of strategic objectives, reduces the ability of a company to cope with losses not anticipated, and reduces confidence of the market, certificate holders and creditors.

The Company's capital management objective is to maintain effective capital management processes and a prudent level of capital resources, consistent with the risk appetite agreed by the Board from time to time. It is designed to provide the principles to ensure the efficient management of capital where capital resources must be managed in a way which optimises returns to Shareholders, stakeholders and meets the expectation of the regulator.

The capital management strategy of the Company is to allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of Shareholders and maintain the level of capital as required by BNM.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 25 RISK MANAGEMENT FRAMEWORK (CONTINUED)

- (b) Capital management objectives, policies and approach (continued)

##### Risk governance structure

The Company emphasises good and effective governance structure with three lines of defense and a healthy risk culture to provide reasonable assurance to the GBRMC and Board of Directors:

- (a) First line of defense: Under the leadership of the Chief Executive Officer, all operating and business units are responsible and accountable for the effective and timely implementation of action plans. The monthly Executive Committee ("EXCO") meetings build an appropriate risk culture to encourage constant communication.
- (b) Second line of defense: Risk Management department, is tasked to formulate and continuously improve the Risk Management Framework and to promote risk awareness culture with regular meetings with the senior management and/or line managers in the light of risk analysis and risk action plan; and
- (c) Third line of defense: Internal Auditors perform a "check and balance" role by conducting independent and regular reviews on the Company's internal control systems and Risk Management Framework.

##### Regulatory capital requirements

The capital structure of the Company as at the date of the statement of financial position, consisting of all funds as prescribed under the RBCT is provided below:

	2023	2022
	RM'000	RM'000
Eligible Tier 1 capital		
- Share capital	200,000	200,000
- Reserves, including retained profits	24,431	36,256
Eligible Tier 2 capital		
- Eligible reserves	18,083	-
Amount deducted from capital	(38,786)	(20,754)
Total capital available	<u>203,728</u>	<u>215,502</u>

The Company has met the minimum capital requirements specified in the RBCT Framework for the financial year ended.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 26 TAKAFUL RISK

##### Family Takaful/Company

Takaful risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its contractual obligations.

The Company's Family Takaful businesses are exposed to a range of Takaful risks from various products. In providing financial advisory services coupled with Takaful protection, the Company has to manage risks such as mortality (the death of certificate holder), morbidity (ill health), persistency, investment, product design and pricing.

The Company's underwriting strategy is designed to ensure risks are well diversified in terms of type of risk and the level of covered benefits. This is broadly achieved through the use of medical screening to ensure participants' health condition and family medical history, regular review of actual claims experience as well as detailed claims procedures.

The mortality and morbidity risks are managed through the use of retakaful to transfer excessive risk exposures, appropriate actuarial techniques as well as other mitigation measures.

The table below shows the concentration of Family Takaful actuarial liabilities by types of product.

	Gross RM'000	Retakaful RM'000	Net RM'000
<u>30 June 2023</u>			
Mortgage Reducing Term and Group business	60,913	(41,248)	19,665
Others	84,830	(3,672)	81,158
	<u>145,743</u>	<u>(44,920)</u>	<u>100,823</u>
<u>30 June 2022</u>			
Mortgage Reducing Term and Group business	54,843	(25,664)	29,179
Others	49,448	(2,604)	46,844
	<u>104,291</u>	<u>(28,268)</u>	<u>76,023</u>

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 26 TAKAFUL RISK (CONTINUED)

##### Family Takaful/Company (continued)

As all of the business is derived from Malaysia, the entire Family Takaful actuarial liabilities are in Malaysia.

##### Key assumptions

Material judgment is required in the choice of assumptions which shall be prudent, appropriate and justifiable for the purpose of valuation of Participants' Risk Fund ("PRF") liabilities to ensure fund sufficiency in meeting all contractual obligations with a reasonable level of certainty. The Company's assumptions were derived based on studies on past experience, current internal data and other published information.

The key assumptions to the Company's liabilities are as follows:

- i. Mortality and Morbidity - used in projecting the Company's expected claim experience. These assumptions were derived by applying adjustment factors which reflect the Company's past experience, risk portfolios and product design, to the established industry rates or retakaful rates.
- ii. Discount Rate - used in discounting the takaful certificates cash flow and is based on Government Investment Issues (GII) yield curve.
- iii. Outforce (Lapse/Surrender) - used in projecting the expected persistency of the certificates, reflecting the probability of customer lapsing/ surrendering the certificates. These assumptions were derived based on the Company's actual outforce experience in the past taking into account specific features of the products.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 26 TAKAFUL RISK (CONTINUED)

Family Takaful/Company (continued)Sensitivity

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net Takaful actuarial liabilities. The correlation of assumptions may have a significant effect in determining the ultimate Takaful actuarial liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information may also vary according to the current economic assumptions.

	Change in assumptions %	Impact on gross Takaful actuarial liabilities RM'000	Impact on net Takaful actuarial liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
<u>30 June 2023</u>					
Mortality & Morbidity	+10%	15,706	5,498	-	-
Mortality & Morbidity	-10%	(12,717)	(4,308)	-	-
Lapse and surrender rates	+10%	(1,405)	(1,098)	-	-
Lapse and surrender rates	-10%	1,483	1,157	-	-
Discount rate	+10%	(2,658)	(2,231)	-	-
Discount rate	-10%	2,856	2,409	-	-
Investment return	+10%	(675)	(590)	-	-
Investment return	-10%	674	646	-	-

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 26 TAKAFUL RISK (CONTINUED)

Family Takaful/Company (continued)Sensitivity (continued)

	Change in assumptions %	Impact on gross Takaful actuarial liabilities RM'000	Impact on net Takaful actuarial liabilities RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
<u>30 June 2022</u>					
Mortality & Morbidity	+10%	12,481	5,690	-	-
Mortality & Morbidity	-10%	(10,138)	(4,531)	-	-
Lapse and surrender rates	+10%	(1,027)	(740)	-	-
Lapse and surrender rates	-10%	1,088	789	-	-
Discount rate	+10%	(2,321)	(1,891)	-	-
Discount rate	-10%	2,504	2,052	-	-
Investment return	+10%	(167)	(47)	-	-
Investment return	-10%	172	117	-	-

In the sensitivity analysis above, the impact from changes in best estimate assumptions for the Family Takaful fund is retained within the Takaful contract liabilities. The methods used and significant assumptions made for deriving sensitivity information did not change from the previous financial year. There is no impact to the Company's profit after taxation as the impact of changes in assumptions of the Family Takaful fund and investment-linked funds is retained in the Takaful contract liabilities.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)  
(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK

##### Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counter-party to meet the payment obligations. The credit risk and investment activities are monitored regularly with respect to single customer limit, sectorial exposure, credit rating and residual maturity in accordance to internal and regulatory investment guidelines and limits.

As at the date of the statement of financial position, the credit exposure is within the investment guidelines and limits approved by the Board and regulators. The maximum exposure to credit risk is the carrying amount as stated in the financial statements.

There were no significant changes to the credit risk management of the Company.

##### Credit exposure by credit rating

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

##### Credit risk (continued)

	AAA	AA	Neither past due nor impaired			Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	A	BBB	Not rated	RM'000	RM'000	RM'000	RM'000
<u>30 June 2023</u>									
<u>Takaful Operator</u>									
FVTPL financial assets									
Government Investment Issues	-	-	-	-	2,649	-	-	-	2,649
Corporate sukuks	7,043	39,011	10,023	-	83,388	-	-	-	139,465
Equity securities	-	-	-	-	-	24,891	-	-	24,891
Unit and property trust funds	-	-	-	-	-	23,388	-	-	23,388
Investment-linked funds	-	-	-	-	-	5,058	-	-	5,058
Accrued profit	95	475	99	-	1,565	-	-	-	2,234
Amortised cost									
Fixed and call deposits	-	-	-	-	-	-	-	-	-
Accrued profit	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	10,223	-	-	-	10,223
Due from related companies	-	563	-	-	-	-	-	-	563
Cash and cash equivalents	14,043	-	-	-	9	-	-	-	14,052
	<u>21,181</u>	<u>40,049</u>	<u>10,122</u>	<u>-</u>	<u>97,834</u>	<u>53,337</u>	<u>-</u>	<u>-</u>	<u>222,523</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

27 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA	AA	Neither past due nor impaired			Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	A	BBB	Not rated	RM'000	RM'000	RM'000	RM'000
<u>30 June 2022</u>									
<u>Takaful Operator</u>									
FVTPL financial assets									
Government Investment Issues	-	-	-	-	2,594	-	-	-	2,594
Corporate sukuk	17,364	33,522	10,126	-	64,027	-	-	-	125,039
Equity securities	-	-	-	-	-	23,665	-	-	23,665
Unit and property trust funds	-	-	-	-	-	12,349	-	-	12,349
Investment-linked funds	-	-	-	-	-	4,744	-	-	4,744
Accrued profit	227	455	99	-	1,217	-	-	-	1,998
Amortised cost									
Fixed and call deposits	-	1,888	-	-	-	-	-	-	1,888
Accrued profit	-	9	-	-	-	-	-	-	9
Other receivables	-	-	-	-	45,140	-	-	-	45,140
Due from related companies	-	584	-	-	-	-	-	-	584
Cash and cash equivalents	18,554	-	-	-	4	-	-	-	18,558
	<u>36,145</u>	<u>36,458</u>	<u>10,225</u>	<u>-</u>	<u>112,982</u>	<u>40,758</u>	<u>-</u>	<u>-</u>	<u>236,568</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

27 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired					Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	AAA	AA	A	BBB	Not rated				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30 June 2023</u>									
<u>Family Takaful Fund</u>									
FVTPL financial assets									
Government Investment Issues	-	-	-	-	179,418	-	-	-	179,418
Corporate sukuks	213,053	210,709	5,012	-	382,074	-	-	-	810,848
Equity securities	-	-	-	-	-	160,665	-	-	160,665
Unit and property trust funds	-	-	-	-	-	16,889	-	-	16,889
Accrued profit	1,216	1,996	49	-	7,351	-	-	-	10,612
Amortised cost									
Fixed and call deposits	20,000	-	-	-	-	-	-	-	20,000
Accrued profit	10	-	-	-	-	-	-	-	10
Retakaful assets	-	47,775	48,342	-	-	-	-	-	96,117
Takaful receivables	-	-	-	-	22,069	-	-	-	22,069
Other receivables	-	-	-	-	4,951	-	-	-	4,951
Cash and cash equivalents	218,851	2,350	-	-	258	-	-	-	221,459
	<u>453,130</u>	<u>262,830</u>	<u>53,403</u>	<u>-</u>	<u>596,121</u>	<u>177,554</u>	<u>-</u>	<u>-</u>	<u>1,543,038</u>

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

##### Credit risk (continued)

##### Credit exposure by credit rating (continued)

	AAA	AA	Neither past due nor impaired			Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	A	BBB	Not rated	RM'000	RM'000	RM'000	RM'000
<u>30 June 2022</u>									
<u>Family Takaful Fund</u>									
FVTPL financial assets									
Government Investment Issues	-	-	-	-	188,555	-	-	-	188,555
Corporate sukuks	100,820	153,494	5,063	-	265,300	-	-	-	524,677
Equity securities	-	-	-	-	-	127,555	-	-	127,555
Unit and property trust funds	-	-	-	-	-	9,621	-	-	9,621
Accrued profit	974	1,634	49	-	6,402	-	-	-	9,059
Amortised cost									
Fixed and call deposits	-	14,074	-	-	-	-	-	-	14,074
Accrued profit	-	160	-	-	-	-	-	-	160
Retakaful assets	-	20,209	41,460	-	-	-	-	-	61,669
Takaful receivables	-	-	-	-	16,404	-	-	-	16,404
Other receivables	-	-	-	-	6,472	-	-	-	6,472
Cash and cash equivalents	202,219	29,327	-	-	26	-	-	-	231,572
	<u>304,013</u>	<u>218,898</u>	<u>46,572</u>	<u>-</u>	<u>483,159</u>	<u>137,176</u>	<u>-</u>	<u>-</u>	<u>1,189,818</u>

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA	AA	Neither past due nor impaired			Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	A	BBB	Not rated	RM'000	RM'000	RM'000	RM'000
<u>30 June 2023</u>									
<u>Company</u>									
FVTPL financial assets									
Government Investment Issues	-	-	-	-	182,067	-	-	-	182,067
Corporate sukuks	220,096	249,720	15,035	-	465,462	-	-	-	950,313
Equity securities	-	-	-	-	-	185,556	-	-	185,556
Unit and property trust funds	-	-	-	-	-	40,277	-	-	40,277
Accrued profit	1,311	2,471	148	-	8,916	-	-	-	12,846
Amortised cost									
Fixed and call deposits	20,000	-	-	-	-	-	-	-	20,000
Accrued profit	10	-	-	-	-	-	-	-	10
Retakaful assets	-	47,775	48,342	-	-	-	-	-	96,117
Takaful receivables	-	-	-	-	22,069	-	-	-	22,069
Other receivables	-	-	-	-	14,860	-	-	-	14,860
Due from related companies	-	563	-	-	-	-	-	-	563
Cash and cash equivalents	232,894	2,350	-	-	267	-	-	-	235,511
	<u>474,311</u>	<u>302,879</u>	<u>63,525</u>	<u>-</u>	<u>693,641</u>	<u>225,833</u>	<u>-</u>	<u>-</u>	<u>1,760,189</u>

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

##### Credit risk (continued)

##### Credit exposure by credit rating (continued)

	AAA	AA	Neither past due nor impaired			Not subject to credit risk	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	A	BBB	Not rated	RM'000	RM'000	RM'000	RM'000
<u>30 June 2022</u>									
<u>Company</u>									
FVTPL financial assets									
Government Investment Issues	-	-	-	-	191,149	-	-	-	191,149
Corporate sukuks	118,184	187,016	15,189	-	329,327	-	-	-	649,716
Equity securities	-	-	-	-	-	151,220	-	-	151,220
Unit and property trust funds	-	-	-	-	-	21,970	-	-	21,970
Accrued profit	1,201	2,089	148	-	7,619	-	-	-	11,057
Amortised cost									
Fixed and call deposits	-	15,962	-	-	-	-	-	-	15,962
Accrued profit	-	169	-	-	-	-	-	-	169
Retakaful assets	-	20,209	41,460	-	-	-	-	-	61,669
Takaful receivables	-	-	-	-	16,404	-	-	-	16,404
Other receivables	-	-	-	-	18,563	-	-	-	18,563
Due from related companies	-	584	-	-	-	-	-	-	584
Cash and cash equivalents	220,773	29,327	-	-	30	-	-	-	250,130
	<u>340,158</u>	<u>255,356</u>	<u>56,797</u>	<u>-</u>	<u>563,092</u>	<u>173,190</u>	<u>-</u>	<u>-</u>	<u>1,388,593</u>

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

##### Liquidity risk

Liquidity risk arises due to inability of the Company to meet its financial obligations as and when they fall due. The Company manages liquidity risk via short term cash flow projection to determine net cash flow required. In addition, the Company's investible funds are substantially placed in fixed and call deposits and other money market instruments. Should there be any abnormal and unexpected cash outflow required, the Company is still able to meet its obligation in short period via the liquidation of sukuk holdings.

The Company endeavors to manage the maturity profiles of these financial instruments to meet financial obligations and working capital requirements.

##### Maturity profiles

The tables below analyse the carrying amounts of the Company's financial assets.

The contractual undiscounted cash flows payable for financial liabilities are based on the remaining contractual maturities.

All liabilities are presented on a contractual cash flow basis except for Takaful contract liabilities, whereby the maturity profiles are determined based on estimated timing of net cash outflows from the recognised Takaful liabilities. Expense liabilities have been excluded from the analysis as they are not contractual obligations.

Investment-linked liabilities are repayable or transferable on demand and are included under the "up to 1 year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2023</u>						
<u>Takaful Operator</u>						
FVTPL financial assets	197,685	18,207	57,341	68,807	53,330	197,685
Amortised cost financial assets	-	-	-	-	-	-
Other receivables	10,223	10,223	-	-	-	10,223
Due from related companies	562	562	-	-	-	562
Cash and cash equivalents	14,052	14,052	-	-	-	14,052
Total financial assets	<u>222,522</u>	<u>43,044</u>	<u>57,341</u>	<u>68,807</u>	<u>53,330</u>	<u>222,522</u>
Lease liabilities	10,933	1,498	6,175	3,260	-	10,933
Takaful payables	10,386	10,386	-	-	-	10,386
Expense liabilities	14,863	476	6,828	7,559	-	14,863
Other payables	32,996	32,996	-	-	-	32,996
Due to related companies	576	575	-	-	-	575
Total financial liabilities	<u>69,754</u>	<u>45,931</u>	<u>13,003</u>	<u>10,819</u>	<u>-</u>	<u>69,753</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2022</u>						
<u>Takaful Operator</u>						
FVTPL financial assets	170,389	10,384	56,591	62,671	40,743	170,389
Amortised cost financial assets	1,897	1,897	-	-	-	1,897
Other receivables	45,140	45,140	-	-	-	45,140
Due from related companies	584	584	-	-	-	584
Cash and cash equivalents	18,558	18,558	-	-	-	18,558
Total financial assets	<u>236,568</u>	<u>76,563</u>	<u>56,591</u>	<u>62,671</u>	<u>40,743</u>	<u>236,568</u>
Lease liabilities	12,552	1,458	6,076	5,018	-	12,552
Takaful payables	7,214	7,214	-	-	-	7,214
Expense liabilities	19,560	1,772	14,669	3,119	-	19,560
Other payables	25,445	25,445	-	-	-	25,445
Due to related companies	383	383	-	-	-	383
Total financial liabilities	<u>65,154</u>	<u>36,272</u>	<u>20,745</u>	<u>8,137</u>	<u>-</u>	<u>65,154</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2023</u>						
<u>Family Takaful Fund</u>						
FVTPL financial assets	1,178,432	47,392	322,583	630,934	177,523	1,178,432
Amortised cost financial assets	20,010	20,010	-	-	-	20,010
Retakaful assets	96,117	58,933	22,039	15,145	-	96,117
Takaful receivables	22,069	22,069	-	-	-	22,069
Other receivables	4,951	4,951	-	-	-	4,951
Cash and cash equivalents	221,459	221,459	-	-	-	221,459
Total financial assets	<u>1,543,038</u>	<u>374,814</u>	<u>344,622</u>	<u>646,079</u>	<u>177,523</u>	<u>1,543,038</u>
Takaful contract liabilities	1,480,627	115,077	67,895	61,428	1,236,227	1,480,627
Takaful payables	8,826	8,826	-	-	-	8,826
Other payables	49,685	49,685	-	-	-	49,685
Total financial liabilities	<u>1,539,138</u>	<u>173,588</u>	<u>67,895</u>	<u>61,428</u>	<u>1,236,227</u>	<u>1,539,138</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
<u>30 June 2022</u>						
<u>Family Takaful Fund</u>						
FVTPL financial assets	859,467	11,686	138,513	572,164	137,104	859,467
Amortised cost financial assets	14,234	14,234	-	-	-	14,234
Retakaful assets	61,669	36,191	11,395	14,083	-	61,669
Takaful receivables	16,404	16,404	-	-	-	16,404
Other receivables	6,472	6,472	-	-	-	6,472
Cash and cash equivalents	231,572	231,572	-	-	-	231,572
Total financial assets	<u>1,189,818</u>	<u>316,559</u>	<u>149,908</u>	<u>586,247</u>	<u>137,104</u>	<u>1,189,818</u>
Takaful contract liabilities	1,088,980	93,406	33,031	46,479	916,064	1,088,980
Takaful payables	25,711	25,711	-	-	-	25,711
Other payables	75,604	75,604	-	-	-	75,604
Total financial liabilities	<u>1,190,295</u>	<u>194,721</u>	<u>33,031</u>	<u>46,479</u>	<u>916,064</u>	<u>1,190,295</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value	Up to a year	1-5 years	Over 5 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30 June 2023</u>						
<u>Company</u>						
FVTPL financial assets	1,371,059	65,599	379,924	699,741	225,795	1,371,059
Amortised cost financial assets	20,010	20,010	-	-	-	20,010
Retakaful assets	96,117	58,933	22,039	15,145	-	96,117
Takaful receivables	22,069	22,069	-	-	-	22,069
Other receivables	14,860	14,860	-	-	-	14,860
Due from related companies	562	562	-	-	-	562
Cash and cash equivalents	235,511	235,511	-	-	-	235,511
Total financial assets	<u>1,760,188</u>	<u>417,544</u>	<u>401,963</u>	<u>714,886</u>	<u>225,795</u>	<u>1,760,188</u>
Takaful contract liabilities	1,475,569	115,077	67,895	61,428	1,231,169	1,475,569
Lease liabilities	10,933	1,498	6,175	3,260	-	10,933
Takaful payables	19,212	19,212	-	-	-	19,212
Expense liabilities	14,863	476	6,828	7,559	-	14,863
Other payables	82,367	82,367	-	-	-	82,367
Due to related companies	576	575	-	-	-	575
Total financial liabilities	<u>1,603,520</u>	<u>219,205</u>	<u>80,898</u>	<u>72,247</u>	<u>1,231,169</u>	<u>1,603,519</u>

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value	Up to a year	1-5 years	Over 5 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30 June 2022</u>						
<u>Company</u>						
FVTPL financial assets	1,025,112	22,070	195,104	634,835	173,103	1,025,112
Amortised cost financial assets	16,131	16,131	-	-	-	16,131
Retakaful assets	61,669	36,191	11,395	14,083	-	61,669
Takaful receivables	16,404	16,404	-	-	-	16,404
Other receivables	18,563	18,563	-	-	-	18,563
Due from related companies	584	584	-	-	-	584
Cash and cash equivalents	250,130	250,130	-	-	-	250,130
Total financial assets	<u>1,388,593</u>	<u>360,073</u>	<u>206,499</u>	<u>648,918</u>	<u>173,103</u>	<u>1,388,593</u>
Takaful contract liabilities	1,084,236	93,406	33,031	46,479	911,320	1,084,236
Lease liabilities	12,552	1,458	6,076	5,018	-	12,552
Takaful payables	32,925	32,925	-	-	-	32,925
Expense liabilities	19,560	1,772	14,669	3,119	-	19,560
Other payables	68,000	68,000	-	-	-	68,000
Due to related companies	383	383	-	-	-	383
Total financial liabilities	<u>1,217,656</u>	<u>197,944</u>	<u>53,776</u>	<u>54,616</u>	<u>911,320</u>	<u>1,217,656</u>

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

##### Market risk

Market risk is the risk of losses owing to changes in fair value of assets or financial instruments. The market risk factors are primarily volatility in market prices (price risk) or market profit rates (profit rate risk). The change in market price may be caused by factor(s) specific to the individual instrument or its issuer or factor(s) affecting all instruments traded in the market.

The Company adopts prudent investment policies and strategies to mitigate adverse market risks. The investment policies guide the strategies on asset mix, asset quality, profit rate risk exposure and liquidity targets.

##### (i) Profit rate risk

Profit rate risk is the risk that value or future cash flows of a financial instrument will fluctuate because of changes in market profit rate. This risk arises due to differences in pricing or tenure of investments and liabilities. The profit rate risk is managed through setting the appropriate asset allocation reflecting the liability profile and the availability of the suitable instrument in the investment market.

The following table demonstrates the sensitivity to a reasonably possible change in profit rates, with all other variables held constant, showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on profit rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit after taxation RM'000	Impact on equity* RM'000
<u>30 June 2023</u>		
Change in variables		
+100 basis point of profit rate	(6,016)	(6,016)
-100 basis point of profit rate	6,698	6,698
<u>30 June 2022</u>		
Change in variables		
+100 basis point of profit rate	(4,840)	(4,840)
-100 basis point of profit rate	5,340	5,340

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

## HONG LEONG MSIG TAKAFUL BERHAD

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)

#### 27 FINANCIAL RISK (CONTINUED)

##### Market risk (continued)

##### (i) Profit rate risk (continued)

The impact on the Company's equity arose from investments in the Takaful Operator's fund. The impact arising from changes in profit rate to FVTPL fixed income securities of the Family Takaful fund and investment-linked funds is retained in the Takaful contract liabilities and as such, does not impact the profit before tax and equity of the Company.

##### (ii) Price risk

The Company's price risk exposure relates to financial assets and liabilities, whose values will fluctuate as a result of the change in market prices. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to the individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company has acknowledged the inherent risk of investing in equities. The Management is guided with investment policies that are approved by the Board in monitoring equity exposure and compliance with operational controls.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the equity investments, with all other variables held constant showing the impact on the Company's profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 27 FINANCIAL RISK (CONTINUED)

Market risk (continued)(ii) Price risk (continued)

	Impact on profit after taxation RM'000	Impact on equity* RM'000
<u>30 June 2023</u>		
Change in variables		
+20% of equity price	8,107	8,107
-20% of equity price	(8,107)	(8,107)
<u>30 June 2022</u>		
Change in variables		
+20% of equity price	6,195	6,195
-20% of equity price	(6,195)	(6,195)

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

The impact to the Company's equity arose from Takaful Operator's investments in equity securities. There is no impact to the Company's profit after taxation as the impact of changes in price risk to the equity securities of the Family Takaful fund and investment-linked funds is retained in the Takaful contract liabilities.

(iii) Operational risk

Operational risk is the risk of losses resulting from inadequate or failed internal processes, risk management policies and procedures, systems failures, human performance failures or from external events. The Company seeks to minimise exposure by ensuring appropriate internal controls and systems, together with trained and competent people are in place throughout the Company. The Company uses an established program of comprehensive risk self-assessments as well as Key Risk Indicators ("KRIs") in conjunction with independent internal audits to monitor and assess inherent operational risks and the effectiveness of internal controls.

**HONG LEONG MSIG TAKAFUL BERHAD**

Registration No. 200601018337 (738090-M)

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023 (CONTINUED)**

## 28 COMMITMENTS AND CONTINGENCIES

	2023	2022
	RM'000	RM'000
Approved and contracted for:		
Property and equipments	281	375
Software	2,900	972
	<u>3,181</u>	<u>1,347</u>