MPI Generali Insurans Berhad
(14730-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2016

14730-X

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

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MPI Generali Insurans Berhad
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Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

Principal activity

The Company is principally engaged in underwriting general insurance business.

The principal activities of the wholesale unit trust funds are investments in fixed income instruments and money market instruments.

Other information relating to the subsidiaries are disclosed in Note 6(c) to the financial statements.

Results

	Group RM'000	Company RM'000
Net profit for the year	66,064	59,687
Profit attributable to:		
Equity holder of the Company	64,377	59,687
Non-controlling interest	1,687	-
	66,064	59,687

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

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

Dividend

No dividend has been declared or paid by the Company since the end of previous financial year. The directors do not recommend the payment of any dividends in respect of the current financial year.

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Board of Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Mohd Azlan bin Mohammed	*Independent Non-Executive Chairman*
Kheoh And Yeng	*Non-Independent Non-Executive Director*
Datuk Tan Leh Kiah	*Independent Non-Executive Director*
Madam Tam Chiew Lin	*Independent Non-Executive Director*
Terence Yeuk Hang Wong (Resigned on 26 September 2016)	*Non-Independent Non-Executive Director*
Jennifer Susan Sparks (Appointed on 26 September 2016)	*Non-Independent Non-Executive Director*

Profile of Directors

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

MOHD AZLAN BIN MOHAMMED
Independent Non-Executive Chairman

Encik Mohd Azlan bin Mohammed was appointed to the Board of the Company as an Independent Non-Executive Director on 15 August 2014. On 7 May 2015, he was appointed as an Independent Non-Executive Chairman of the Company. Encik Azlan holds a Bachelor of Arts Degree (Honours) majoring in Accounting and Business.

Encik Mohd Azlan is currently the Managing Director of Wasco Oilfield Services Sdn Bhd (“Wasco”) which is principally involved in the provision of oil and gas services. He is responsible for overseeing the business operations of Wasco.

Encik Mohd Azlan is the Chairman of Indra Technology Solutions Malaysia Sdn Bhd, a subsidiary of Indra Sistemas, S.A. of Spain. He is a Director of Mission New Energy Limited, a company listed on the ASX and NYSE. He is currently a director of various subsidiaries of Wah Seong Corporation Berhad, a subsidiary of Ancom Berhad and several private limited companies in Malaysia.

Profile of Directors (cont'd.)

KHEOH AND YENG
Non-Independent Non-Executive Director

Ms Kheoh And Yeng was appointed to the Board of the Company on 30 May 2006. Ms Kheoh obtained a Bachelor of Commerce (Hons) from the University of Manitoba, Canada in 1979 and a Master of Business Administration from the University of Windsor, Canada in 1981.

Ms Kheoh is currently the Chief Executive Officer of MPHB Capital Berhad (“MPHB Capital”). Prior to that, she was the Chief Operating Officer (“COO”) of MPHB Capital from 14 May 2013 to 17 November 2016. During her tenure as COO of MPHB Capital, she was responsible for the overall management of the operations of the MPHB Capital Group.

Prior to joining MPHB Capital in May 2013, she was the COO of Magnum Berhad (“Magnum”). She joined Magnum as General Manager in 2002 and was subsequently promoted to Senior General Manager in 2003 before assuming the position of Chief Operating Officer in 2007 until May 2013.

Ms Kheoh was a Senior Manager at Hong Leong Bank Berhad before joining Magnum and throughout her twelve (12) years of banking experience, she was principally involved in various areas.

Ms Kheoh was managing a leasing and hire purchase company prior to joining Hong Leong Bank Berhad.

DATUK TAN LEH KIAH
Independent Non-Executive Director

Datuk Tan Leh Kiah was appointed to the Board of the Company on 7 May 2015. He is a consultant with Azman, Davidson & Co, a law firm. He was the Managing Partner from 1986 to 2008. He is a fellow of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and associate of the Chartered Tax Institute of Malaysia. He is also a solicitor of the Supreme Court of England and Wales.

Datuk Francis Tan possesses considerable experience in corporate and tax matters. He has advised on business structures and takeovers and mergers, particularly from the aspect of tax efficiency. He also appears regularly before the Special Commissioners of Income Tax and the superior court on tax and company law matters.

Datuk Francis Tan is presently a member of the Securities Commission. He was first appointed in 1999.

Profile of Directors (cont'd.)

TAM CHIEW LIN
Independent Non-Executive Director

Madam Tam was appointed as an Independent Non-Executive Director of the Company on 7 May 2015. She is a Fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants and Public Accountant of the Malaysian Institute of Certified Public Accountants. She also holds a Diploma in Applied International Management from the Swedish Institute of Management and a Postgraduate Certificate in Banking and Finance from the University of Wales, Bangor.

Madam Tam was the Managing Director of the Jerneh Asia Berhad from 2005 until her retirement in 2012. Prior to joining the Jerneh group, she held various positions in the IMC group of companies from 1991 to 2000.

Currently, Madam Tam also sits on the Board of JAB Capital Berhad (formerly known as Jerneh Asia Berhad) and PPB Group Berhad.

JENNIFER SUSAN SPARKS
Non-Independent Non-Executive Director

Jenni Sparks was appointed to the Board of the Company on 26 September 2016. Jenni holds a Bachelor of Science with First Class Honours in Applied Mathematics from the University of Adelaide. She is also a Fellow of the Institute of Actuaries of Australia.

Jenni is currently the Regional Chief Financial Officer, Asia of Assicurazioni Generali S.p.A ("Generali"). She drives the regional finance and accounting operations as well as monitors the financial management of Generali's businesses in Asia.

Jenni has over 30 years of international experience in insurance and financial services across Australia, Japan and Korea. Prior to joining Generali, she was the Chief Executive Officer of Hartford Life Insurance KK. Between 2003 and 2011, she held various senior management positions within AIG, including Chief Financial Officer for AIG Edison Life in Japan and Regional Controller for AIG Life companies in Japan and Korea.

External professional Commitments

None of the Directors holds more than 25 directorships (including the directorship in the company)

Tenure of independent Director

The maximum tenure of service of an Independent Director of the Company shall not exceed nine(9) years.

Directors' interest

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

		Number of Ordinary Shares of RM1 each			
		As at 1.1.2016	Acquired	Disposed	As at 31.12.2016
Ultimate Holding Company MPHB Capital Berhad ("MPHB Capital")					
Direct Interest:					
Kheoh And Yeng		400,900	63,500	-	464,400
Datuk Tan Leh Kiah		170,000	-	-	170,000
Indirect interest:					
Datuk Tan Leh Kiah	(a)	70,000	10,000	-	80,000

Note:

(a) Deemed interest by virtue of Section 6A(4) of the Companies Act 1965 held through his shareholdings of more than 15% interest in AD Consult Sdn Bhd.

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement, to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year and at the date of this report, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Notes 24 and 29 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Corporate governance

The Company has adopted the management practices that are consistent with the principles prescribed under Policy Document on Corporate Governance issued by Bank Negara Malaysia.

Corporate governance standards

The membership roles and terms of reference of the Board, Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee of the Company are as follows:

(i) Board responsibility and oversight

The Board of the Company has the overall responsibility of promoting the sustainable growth and financial soundness of the Company and ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public.

In fulfilling the above role, the Board shall assume, among others, the following responsibilities:-

(i) setting and overseeing the implementation of business and risk objectives and strategies of the Company and in doing so, the Board shall have regard to the long term viability of the Company and reasonable standards of fair dealing;

(ii) ensuring and overseeing the effective design and implementation of sound internal controls, compliance and risk management systems that commensurate with the nature, scale and complexity of the business and structure of the Company;

(iii) overseeing the performance of the senior management in managing the business and affairs of the Company to ensure that the business and affairs of the Company are being properly and competently managed. These include ensuring the solvency of the Company and the ability of the Company to meet its contractual obligations and to safeguard its assets;

(iv) ensuring that there is a reliable and transparent financial reporting process within the Company;

Corporate governance standards (cont'd.)

(i) Board responsibility and oversight (cont'd.)

(v) reviewing and approving the risk appetite, business plans and other initiatives which will, singularly or cumulatively, have a material impact on the Company's risk profile, financial soundness, reputation or key operational controls of the Company;

(vi) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;

(vii) overseeing the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in the light of material changes to the size, nature and complexity of the Company's operations;

(viii) promoting, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior;

(ix) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

(x) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

(xi) establishing and regularly review succession plans for the Board to promote Board renewal and address any vacancies; and

(xii) promoting timely and effective communications between the Company and Bank Negara Malaysia ("BNM") on matters affecting or that may affect the safety and soundness of the Company.

Corporate governance (cont'd.)

(ii) Financial reporting

The Company maintains proper accounting records and financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of Companies Act, 1965 in Malaysia, Financial Services Act 2013, and the requirements of Bank Negara Malaysia.

(iii) Membership and meetings of the committees

The composition of the Committees and the meetings held during the financial year ended 31 December 2016 are as follows:

	Attendance/Number of Meetings				
	Board of Directors	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**	**Risk Management Committee**
* Mohd Azlan bin Mohammed	Chairman 6/6	Member 6/6	Chairman 2/2	-	-
** Datuk Tan Leh Kiah	Member 6/6	-	Chairman 1/1	Member 2/2	Chairman 6/6
Madam Tam Chiew Lin	Member 6/6	Chairman 6/6	Member 3/3	Chairman 2/2	Member 6/6
*** Mr Terence Yuek Hang Wong	Member 4/4	-	Member 1/2	-	Member 3/4
Ms Kheoh And Yeng	Member 6/6	Member 6/6	-	Member 2/2	-
**** Ms Jennifer Susan Sparks	Member 2/2	-	Member 1/1	-	Member 2/2

* Mohd Azlan bin Mohammed ceased to be the Chairman of the Nominating Committee on 26 September 2016.

** Datuk Tan Leh Kiah was appointed as the Nominating Committee Chairman on 26 September 2016.

*** Mr Terence Wong Yeuk Hang resigned as Director and ceased to be a member of the Risk Management Committee and Nominating Committee on 26 September 2016.

**** Ms Jennifer Susan Sparks was appointed as Director and member of the Risk Management Committee and Nominating Committee on 26 September 2016.

Corporate governance (cont'd.)

(iv) Training attended

The Directors will continue to undergo relevant training programmes to upgrade themselves to effectively discharge their duties as Directors.

Details of the training attended by the Directors during the financial year are set out below:-

(i) Financial Institutions Directors' Education ("FIDE") programme;

(ii) Future Finance Conference by Bank Negara Malaysia;

(iii) Corporate Governance Programme entitled Board Chairman Series Part 2: "Leadership Excellence From The Chair"; and

(iv) Orientation programme.

(v) Responsibilities of the committees

The duties and responsibilities of the Committees are as follows:

Audit committee

The Audit Committee is a committee of the Board with the function of assisting the Board in fulfilling its oversight responsibilities. The Audit Committee reviews the Company’s financial reporting process, the system of internal control and management of risk, the audit process and the Company’s process for monitoring compliance with laws and regulations, and such other matters which may be delegated by the Board.

The duties and responsibilities of the Audit Committee includes the following:

(i) supporting the board in ensuring that there is a reliable and transparent financial reporting process within the Company;

Corporate governance (cont'd.)

(v) Responsibilities of the committees (cont'd.)

Audit committee (cont'd.)

(ii) overseeing the effectiveness of the internal audit function which include the following:

- reviewing and approving the audit scope, procedures and frequency;

- reviewing key audit reports and ensuring that senior management is taking 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;

- noting significant disagreements between the chief internal auditor and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings, if any; and

- establishing a mechanism to assess the performance and effectiveness of the internal audit function.

(iii) exercising oversight over the external auditor, which include the following:

- making recommendations to the board on the appointment, removal and remuneration of the external auditor;

- monitoring and assessing the independence of the external auditor including by approving the provision of non-audit services by the external auditor;

- monitoring and assessing the effectiveness of the external audit, including by meeting with the external auditor without the presence of senior management at least annually;

- maintaining regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the board audit committee on significant matters; and

- ensuring that senior management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.

Corporate governance (cont'd.)

(v) Responsibilities of the committees (cont'd.)

Audit committee (cont'd.)

(iv) reviewing and update the Board on all related party transactions;

(v) reviewing the accuracy and adequacy of the directors' report and corporate governance disclosures in relation to the preparation of financial statements;

(vi) monitoring compliance with the board's conflicts of interest policy;

(vii) reviewing third-party opinions on the design and effectiveness of the Company's internal control framework;

(viii) reviewing any conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity;

(ix) ensuring that the Company complies with Bank Negara Malaysia's Policy Document on Financial Reporting which requires the Company to publish its accounts within 14 days of the laying of its accounts at its annual general meeting;

(x) ensuring that the Company's accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made; and

(xi) ensuring that supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner.

Corporate governance (cont'd.)

(v) Responsibilities of the committees (cont'd.)

Nominating committee ("NC")

The NC is responsible for:

(i) establishing the procedure and requirements for appointment and removal of Directors and key senior officers of the Company;

(ii) overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies or skill sets required by the directors, and also ensuring that the Board composition is in compliance with the requirements as set out in paragraph 11 of Bank Negara Malaysia's Policy Document on Corporate Governance ("Policy Document on Corporate Governance") through annual reviews;

(iii) assessing and recommending to the Board:

- the nominees to be appointed to the Board and nominees for the positions of Chief Executive Officer ("CEO"), key senior officers and Company Secretary;

- the proposed re-appointment of Directors and CEO before application for approval is submitted to Bank Negara Malaysia ("BNM"); and

- the proposed re-election/re-appointment of Directors prior to tabling to the shareholders for approval at the Annual General Meeting of the Company, which includes conducting assessments on the fitness, probity and propriety of the proposed candidates, Directors, CEO, key senior officers and Company Secretary;

(iv) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution/performance of the various Board committees and the performance of the CEO or key senior officers;

(v) reporting its recommendations/findings to the Board on the effectiveness of the Board as a whole, the contribution by each Director to the effectiveness of the Board, the contribution/performance of the various Board committees and the performance of the Chief Executive Officer or key senior officers;

(vi) assessing the independence of Independent Directors;

Corporate governance (cont'd.)

(v) Responsibilities of the committees (cont'd.)

Nominating committee ("NC")

(vii) assessing and recommending to the Board on removal of a Director and Company Secretary, if he/she no longer meets the requirements as set out in the Policy Document on Corporate Governance, the Financial Services Act, 2013 (“FSA”) and other regulatory requirements (where applicable), or if he/she is ineffective, errant or otherwise unsuited to carry out his/her responsibilities;

(viii) ensuring that all directors undergo appropriate training programmes and receive continuous training; and

(ix) overseeing the appointment, management succession planning and performance evaluation of CEO or key senior officers, and recommending to the Board the removal of CEO or key senior officers or company secretary, if he/she no longer meets the minimum requirements set out in the Policy Document on Corporate Governance, the FSA and other regulatory requirements, or has been assessed to be ineffective, errant or otherwise unsuited to carry out his/her responsibilities.

Remuneration committee ("RC")

The RC is responsible to recommend to the Board a framework of remuneration structure for the directors, Chief Executive Officer and employees of the Company.

The RC is also responsible for:

(i) supporting the Board of Directors (“Board”) in overseeing the design and operation of the Company’s remuneration system, which shall include the following:

- reviewing and recommending to the Board for approval/adoption of any major changes in employees’ benefit structures throughout the Company;

- reviewing and recommending to the Board for approval/adoption of the policy or framework for the Company’s annual employees’ incentive scheme which may include merit increment, merit bonus and other incentives.

(ii) reviewing and recommending to the Board for approval of the overall remuneration framework/policy of the Company;

Corporate governance (cont'd.)

(v) Responsibilities of the committees (cont'd.)

Remuneration committee ("RC") (cont'd.)

(iii) reviewing and recommending to the Board the specific remuneration packages for Directors, Chief Executive Officer, key senior officers and other material risk takers of the Company. The remuneration packages should:

- be based on an objective consideration and approved by the Board;
- take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Director, CEO and key senior officers concerned;
- not to be decided by the exercise of the sole discretion of any one individual or restricted group of individuals; and
- be competitive and is consistent with the Company's culture, objective and strategy.

The RC must regularly review and approved the list of officers who fall within the definition of "other material risk takers".

(iv) carrying out periodic review of the remuneration of Directors, particularly on whether their remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

Risk management committee ("RMC")

The RMC is responsible for:

(i) ensuring that the Company's corporate objectives are supported by a sound risk strategy and an effective risk management framework (the Company's risk map includes compliance risk as one of its operational risks and any mention of risk management includes compliance risk management) that is appropriate to the nature, scale and complexity of its activities;

Corporate governance (cont'd.)

(v) Responsibilities of the committees (cont'd.)

Risk management committee ("RMC") (cont'd.)

(ii) reviewing and recommending the Company's risk management strategies, policies and risk tolerance and risk strategy (including the risk appetite) for the Board's approval and oversee the implementation thereof;

(iii) reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(iv) reviewing and assessing management's implementation of risk strategy and obtaining assurance that the organisational units are operating within the parameters of the Company's risk appetite;

(v) reviewing and assessing the Company's risk appetite regularly to ensure that it continues to be relevant and reflects any changes in the Company's capacity to take on risk, its inherent risk profile, as well as market and macroeconomic conditions;

(vi) ensuring adequate infrastructure, resources and systems are in place for an effective risk management systems i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities;

(vii) reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

(viii) assisting the Board in the implementation of a sound remuneration system, examining whether the incentives provided by the Company's remuneration system take into consideration of risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Remuneration Committee.

Remuneration policy

The Remuneration Policy is one of the key components which supports the overall business vision and missions. The main objective of the Remuneration Policy is to support the Human Resource strategy to attract, retain, motivate and reward high-performing employees. The Company's remuneration framework is designed to ensure that reward is clearly and measurably linked to performance, and in accordance to results achieved.

Scope of remuneration policy

The company has adopted the Employees' Handbook of MPHB Capital Berhad.

The remuneration policy applies to all levels of employees within the Company including the senior management.

Remuneration components

The Company's integrated remuneration structure is made up of three components:

Salary
Base salary constitutes the major element of the remuneration package to attract, retain and incentivise talent in a competitive market. It is determined based on the job holder's particular job responsibilities, duties and scope of work.

Benefits
Compensation and benefits in the form of cash or in-kind to facilitate business operations to reflect the scale of the Company's business and its competitiveness within and outside the

Performance Bonus
A performance bonus is the compensation beyond normal wages and is typically awarded after a performance appraisal exercise is completed by the Company on an annual basis.

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Remuneration structure

The remuneration structure is designed to ensure that there is an appropriate balance between the rewards for performances and attitude expected of the employees.

The acheievement int he Company's result and individual's performance against the targeted KPI scorecard will form the basis of the remuneration decisions. The remuneration recommendation will be reviewed by Remuneration Committee and recommended to the Board for approval.

Key areas affecting employee remuneration

Key Performance Indicators	Sales Function	Operation Function	Support Function	Control Function
Financial performance	√	√	√	-
Efficiency & initiatives	√	√	√	√
People empowerment & engagement	√	√	√	√
Competency & development	√	√	√	√

Salary
Salary review will be conducted on a yearly basis subject to the Company's discretion. The total remuneration and salary levels of key responsible persons are considered by the Remunaration Committee. Full-time staff members who have completed their probation by 31st December are eligible for annual salary review. Salary adjustment is decision for individual staff member will be based on individual's performance and contribution to the Company and the market rated pay of the individual's position.

Benefits
The main purpose of the compensations and benefits is to incentivise employee as they discharge their duties based on their job portfolios and level. Key and senior level positions are offered benefits and compensations which are competitive and alligned to the industry in order to ensure continuous performance and retention of staff. The staff benefits provided by the compnay is such as car allowance, medical and insurance benefit other benefits.

Performance Bonus
A performance-based bonus may be paid at the discretion of the Company to the eligible staff members after the performance year cycle is completed. The pay-out of this discretionary bonus is determined by the Company's result and individual's performance.

Remuneration structure (cont'd.)

During the year, the Board has reviewed and approved the key performance indicators (“KPIs”) for employees. The KPIs with various weightages accorded to the respective portfolios/departments will be used to assess the performance of the employees in the respective portfolios/departments.

The achievement in the Company’s targets i.e. gross written premium, operating results, total general expenses and net combined ratio will determine the actual bonus pool funding level, which in turn links to the individual’s KPI achievement to determine the individual bonus payout.

Employees in control function are not assessed on the Company’s key performance areas such as profitability, productivity and growth. The role of risk management as well as legal and compliance departments are not linked to the results of the business activities to ensure their remuneration is determined independent of the business activities they supervise. Their variable remuneration component is set on the basis of the achievement of non-commercial objectives relevant to their positions.

The Board has, based on the Remuneration Committee’s recommendation, approved the salary increments/adjustments, bonus payments and promotion/upgrading of staff based on the Company’s results and individual’s performance.

Internal Control and Risk Management Framework

Risk Governance

The Company internal control and risk management framework is the set of rules, procedures and structures that ensure the effective operation of the Company and enable it to identify, manage and monitor the main risks to which it is exposed.

Internal Control and Risk Management Framework (cont'd.)

Risk Governance (cont'd.)

Key elements of the framework are:

(i) Internal control environment and activities

(ii) Awareness and monitoring

(iii) Reporting duties

(iv) Roles and Responsibilities of the Board of Directors ("Board") and related committees, the Executive Committee, including the Chief Executive Officer ("CEO"), who is responsible for the internal control and risk management framework, and the Chief Financial Officer ("CFO"), who is responsible for the preparation of the Company's financial reports, as well as, risk owners and Control Functions must discharge within the internal control and risk management framework.

The Company internal control and risk management framework is founded on the establishment of the three lines of defence:

(i) The Operational and Business Units (the “risk owners”), which represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise;

(ii) Compliance and Risk Management Functions, which represent the second line of defence; and

(iii) Internal Audit, which represents the third line of defence

Internal Audit together with Compliance and Risk Management Functions represent the “Control Functions”.

Internal Control and Risk Management Framework (cont'd.)

Risk Management Framework

The principles defining the Company risk management framework are provided in the Company's Risk Management Policy which is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risk the company is exposed to, on a current and forward-looking basis.

The Company's risk management process is defined in the following phases:

(i) Risk Identification

The purpose of the risk identification is to ensure that all material risks to which the Company is exposed are properly identified. To this end, the Risk Management Function interacts with the main Operational and Business Units in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also considered.

(ii) Risk Measurement

Common risk measurement methodologies (both qualitative and quantitative) are applied in order to provide an integrated measurement of risks at Company level. For assessing risks identified in accordance to the Company Risk Map, both qualitative and quantitative approaches are implemented. The CRO shall liaise with other competent Company functions for the definition of the methodologies for evaluating other risks.

The quantitative approach shall be based on capital requirements calculation stipulated in BNM RBC for Insurers, complemented by additional measurement techniques deemed appropriate and proportionate.

Internal Control and Risk Management Framework (cont'd.)

Risk Management Framework (cont'd.)

(iii) Risk Management and Control

The Company's Risk Appetite Framework (RAF) defines the level of risk the Company is willing to accept in conducting business and thus provides the overall framework for embedding risk management into business processes.

The Risk Appetite Framework (RAF) supports the effective selection of risks by establishing the risks that the Company wishes to acquire, avoid, retain or remove, along with the measures in place to orient the Company activities consistently, the monitoring and escalation procedures.

Specific prescriptions for managing the different risk categories are provided in the respective policies and in the related guidelines as shown in the following table.

Risk Category	Related Risk Policies	Other Policies
Financial Risk	Investment Policy	Capital Management Policy
Credit Risk	Investment Policy, Reinsurance Guidelines	Data Management & MIS Policy
Insurance Risk	Underwriting Guidelines, Pricing Policy, Medical Repricing Policy	Fit and Proper Policy
Operational Risk	Operational Risk Management Policy, Business Continuity Management Policy, Compliance Policy, Compliance Risk Assessment Methodology, Code of Conduct, Internal Control Policy, AML & CFT and International Sanction Policy, Whistle Blowing Policy	Internal Regulation System Policy

(iv) Risk Reporting

The purpose of risk monitoring and reporting is to keep Operational and Business Units, Executive Committee, Board of Directors and also Bank Negara Malaysia aware and informed on the development of the risk profile, on the risk trends, and on breaches of risk tolerances.

Internal Control and Risk Management Framework (cont'd.)

Internal Audit Function

The Internal Audit Function is an independent, effective and objective function established to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system, of the organization and of the governance processes. The Internal Audit function supports the Board of Directors ("Board") in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time and provides the Board with analysis, appraisals, recommendations and information concerning the activities reviewed; it also carries out assurance and advisory activities for the benefit of the Board, the top management and other departments.

The annual audit plan is reviewed and approved by Audit Committee ("AC"). A written audit report is prepared and issued at the conclusion of each audit engagement and has to be transmitted to the auditee and the auditee's hierarchy. At least on a semi-annual basis, AC is provided with a report on activities and significant issues during the period and a proposal of action plan. The AC determines what actions are to be taken with respect to each issue and ensure that those actions are carried out. However, in the event of any particularly serious situations the Head of Internal Audit ("HIA") will immediately inform the AC and Board. The HIA reports functionally to AC and the Head of Audit - Asia. In addition, the HIA also reports administratively to the CEO. That ensures autonomy to act and independence from operational management as well as more effective communication flows.

Any activity of the Internal Audit Function remains free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Other statutory information

(a) Before the statements of financial position, income statements and statements of comprehensive income of the Group and the Company were made out, the directors took reasonable steps:

  (i) 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 impairments; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off as bad debts or the amount of allowance for doubtful debts in the financial position and income statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial position of the Group and the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

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

Other statutory information (cont'd.)

(f) In the opinion of the directors:

(i) no contingent liability 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 Group and of the Company to meet its obligations as and when they fall due;

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made; and

(iii) for the purpose of paragraphs (e) (ii) and (f) (i), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

(g) Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for insurers issued by Bank Negara Malaysia.

Subsequent events

Details of subsequent events are disclosed in Note 35 to the financial statements.

Auditors

The auditors, Ernst & Young have expressed their willingness to continue in office.

Auditors' remunerations are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 March 2017.

Signed	Signed
Mohd Azlan bin Mohammed	Kheoh And Yeng

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Mohd Azlan bin Mohammed and Kheoh And Yeng, being two of the Directors of MPI Generali Insurans Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages to are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of their financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 March 2017

Signed	Signed
Mohd Azlan bin Mohammed	Kheoh And Yeng

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

I, Tan Chuan Li, being the Officer primarily responsible for the financial management of MPI Generali Insurans Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages to are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Chuan Li at Kuala Lumpur in the Federal Territory on 21 March 2017	Signed Tan Chuan Li

Before me,

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Independent auditors' report to the members of MPI Generali Insurans Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MPI Generali Insurans Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 128.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Independent auditors' report to the members of MPI Generali Insurans Berhad (cont'd.) (Incorporated in Malaysia)

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, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 Group and 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 Group and 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 financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 1965 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

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Independent auditors' report to the members of
MPI Generali Insurans Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

- Conclude on the appropriateness of 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 Group's and 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 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 Group or the Company to cease to continue as a going concern.

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Independent auditors' report to the member of MPI Generali Insurans Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Yeo Beng Yean
No. 03013/10/2018 J
Chartered Accountant

Kuala Lumpur, Malaysia
21 March 2017

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Property and equipment	3	7,938	7,618	7,938	7,618
Investment properties	4	7,862	8,684	7,862	8,684
Intangible assets	5	3,158	2,960	3,158	2,960
Investment securities	6	976,516	852,270	912,940	794,539
Loans	7	15	15	15	15
Reinsurance assets	8	381,056	434,278	381,056	434,278
Insurance receivables	9	145,356	186,912	145,356	186,912
Other receivables	10	68,414	80,994	64,947	78,061
Cash and bank balances	11	19,447	11,503	19,228	8,509
Deferred tax assets	16	1,549	-	1,549	-
Total assets		1,611,311	1,585,234	1,544,049	1,521,576
EQUITY AND LIABILITIES					
Share capital	12	100,000	100,000	100,000	100,000
Share premium		200	200	200	200
Retained earnings	13	366,360	301,982	360,770	301,083
Fair value reserve	13	(9,166)	(738)	(6,098)	(1,088)
Shareholders' equity		457,394	401,444	454,872	400,195
Non-controlling interest	33	64,627	62,288	-	-
Total equity		522,021	463,732	454,872	400,195
Insurance contract liabilities	14	916,361	929,881	916,361	929,881
Insurance payables	15	121,808	152,997	121,808	152,997
Tax payable		7,478	4,764	7,478	4,764
Deferred tax liabilities	16	-	369	-	369
Other payables	17	43,643	33,491	43,530	33,370
Total liabilities		1,089,290	1,121,502	1,089,177	1,121,381
TOTAL EQUITY AND LIABILITIES		1,611,311	1,585,234	1,544,049	1,521,576

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

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Income statements
For the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Gross earned premium		633,211	579,018	633,211	579,018
Premiums ceded to reinsurers		(242,365)	(239,677)	(242,365)	(239,677)
Net earned premiums	18	390,846	339,341	390,846	339,341
Investment income	19	39,601	35,458	37,356	32,412
Realised gains	20	10,329	2,697	5,857	2,610
Commission income	21	45,732	42,983	45,732	42,983
Other operating revenue	22	3,495	7,474	3,596	7,590
Other revenue		99,157	88,612	92,541	85,595
Gross claims paid	23	(355,032)	(261,543)	(355,032)	(261,543)
Claims ceded to reinsurers	23	155,430	100,091	155,430	100,091
Gross change to contract liabilities	23	17,964	(17,275)	17,964	(17,275)
Change in contract liabilities ceded to reinsurers	23	(45,017)	(7,199)	(45,017)	(7,199)
Net claims incurred		(226,655)	(185,926)	(226,655)	(185,926)
Commission expenses		(85,944)	(78,397)	(85,944)	(78,397)
Management expenses	24	(95,076)	(86,484)	(94,837)	(86,253)
Other expenses		(181,020)	(164,881)	(180,781)	(164,650)
Profit before taxation		82,328	77,146	75,951	74,360
Taxation	25	(16,264)	(15,716)	(16,264)	(15,716)
Net profit for the year		66,064	61,430	59,687	58,644
Earnings per share (sen)					
Basic and diluted	26	66.1	61.4		

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

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MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit for the year	66,064	61,430	59,687	58,644
Other comprehensive loss:				
Items that are or may be reclassified subsequently to profit or loss				
Fair value reserves				
Net gain/(loss) arising during the year	214	685	(841)	745
Net realised gains transferred to income statements	(10,329)	(2,697)	(5,857)	(2,610)
	(10,115)	(2,012)	(6,698)	(1,865)
Tax effects	1,688	466	1,688	466
	(8,427)	(1,546)	(5,010)	(1,399)
Total comprehensive income for the year	57,637	59,884	54,677	57,245
Profit attributable to:				
Owners of the parent	64,377	60,489	59,687	58,644
Non-controlling interest	1,687	941	-	-
	66,064	61,430	59,687	58,644
Total comprehensive income attributable to:				
Owners of the parent	54,683	58,943	54,677	57,245
Non-controlling interest	2,954	941	-	-
	57,637	59,884	54,677	57,245

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

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 December 2016

Group

	Non-Distributable			Distributable			
	Share capital RM'000	**Share premium RM'000**	**Fair value reserves RM'000**	**Retained earnings RM'000**	**Shareholder's Equity RM'000**	**Non-controlling interest RM'000**	**Total RM'000**
At 1 January 2015	100,000	200	808	241,493	342,501	60,347	402,848
Fair value reserves							
Net gain arising during the year	-	-	1,151	-	1,151	-	1,151
Net realised gains transferred to income statements	-	-	(2,697)	-	(2,697)	-	(2,697)
Total other comprehensive loss for the year	-	-	(1,546)	-	(1,546)	-	(1,546)
Profit for the year	-	-	-	60,489	60,489	941	61,430
Total comprehensive income for the year	-	-	(1,546)	60,489	58,943	941	59,884
Creation of units, net	-	-	-	-	-	6,060	6,060
Distribution to unit holders	-	-	-	-	-	(5,060)	(5,060)
As 31 December 2015	100,000	200	(738)	301,982	401,444	62,288	463,732
At 1 January 2016	100,000	200	(738)	301,982	401,444	62,288	463,732
Fair value reserves							
Net gain arising during the year	-	-	1,902	-	1,902	-	1,902
Net realised gains transferred to income statements	-	-	(10,329)	-	(10,329)	-	(10,329)
Total other comprehensive loss for the year	-	-	(8,427)	-	(8,427)	-	(8,427)
Profit for the year	-	-	-	64,377	64,377	1,687	66,064
Total comprehensive income for the year	-	-	(8,427)	64,377	55,950	1,687	57,637
Creation of units, net	-	-	-	-	-	3,735	3,735
Distribution to unit holders	-	-	-	-	-	(3,083)	(3,083)
As 31 December 2016	100,000	200	(9,165)	366,359	457,394	64,627	522,021

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

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For financial year ended 31 December 2016 (cont'd.)

Company

	Non-Distributable			Distributable	
	Share capital RM'000	Share premium RM'000	Fair value reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2015	100,000	200	311	242,439	342,950
Fair value reserves					
Net gain arising during the year	-	-	1,211	-	1,211
Net realised gains transferred to income statements	-	-	(2,610)	-	(2,610)
Total other comprehensive loss for the year	-	-	(1,399)	-	(1,399)
Profit for the year	-	-	-	58,644	58,644
Total comprehensive income for the year	-	-	(1,399)	58,644	57,245
As 31 December 2015	100,000	200	(1,088)	301,083	400,195
At 1 January 2016	100,000	200	(1,088)	301,083	400,195
Fair value reserves					
Net gain arising during the year	-	-	847	-	847
Net realised gains transferred to income statements	-	-	(5,857)	-	(5,857)
Total other comprehensive loss for the year	-	-	(5,010)	-	(5,010)
Profit for the year	-	-	-	59,687	59,687
Total comprehensive income for the year	-	-	(5,010)	59,687	54,677
As 31 December 2016	100,000	200	(6,098)	360,770	454,872

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

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MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before taxation	82,328	77,146	75,951	74,360
Adjustments for:				
Investment income	(39,601)	(35,458)	(37,356)	(32,412)
Realised gains recorded in profit or loss	(10,329)	(2,697)	(5,857)	(2,610)
Realised gains on disposal of investment properties	(369)	(469)	(369)	(469)
Depreciation of property and equipment	1,440	1,307	1,440	1,307
Gain on disposal of property and equipment	(79)	(4)	(79)	(4)
Depreciation of investment properties	50	50	50	50
Amortisation of intangible assets	1,092	816	1,092	816
Impairment loss on AFS financial assets	2,708	869	2,708	844
Impairment loss on other receivables	100	-	-	-
Allowance for impairment loss on insurance receivables	1,802	4,731	1,802	4,731
Bad debt written off	447	730	447	730
Operating profit before working capital changes	39,589	47,021	39,829	47,343
(Increase)/decrease in LAR	(129,585)	(5,142)	(133,386)	7,031
Decrease in reinsurance assets	53,222	9,668	53,222	9,668
Decrease/(increase) in insurance receivables	39,307	(43,376)	39,307	(43,376)
Decrease/(increase) in other receivables	15,483	(10,661)	14,676	(10,753)
(Decrease)/increase in insurance contract liabilities	(13,520)	32,148	(13,520)	32,148
(Decrease)/increase in insurance payables	(31,189)	39,448	(31,189)	39,448
Increase/(decrease) in other payables	10,152	(15,138)	10,160	(15,179)
	(16,541)	53,968	(20,901)	66,330
Dividend income received	2,328	2,932	2,328	2,932
Interest income received	35,107	27,629	33,468	25,848
Income tax paid	(13,780)	(17,833)	(13,780)	(17,833)
Net cash flows generated from operating activities	7,114	66,696	1,115	77,277

MPI Generali Insurans Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2016 (cont'd.)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from investing activities				
Proceeds from disposal of property and equipment	81	6	81	6
Purchase of property and equipment	(1,762)	(3,058)	(1,762)	(3,058)
Purchase of intangible assets	(1,290)	(1,717)	(1,290)	(1,717)
Purchase of AFS financial assets	(157,351)	(170,901)	(27,605)	(97,243)
Proceeds from disposal of investment properties	1,141	1,431	1,141	1,431
Proceeds from sale of AFS financial assets	159,360	89,175	39,039	18,364
Deposits placed with financial institutions	77,858	20,464	78,887	10,660
Redemption of fixed income securities	-	15,399	-	-
Net cash flows generated from/ (used in) investing activities	78,037	(49,201)	88,491	(71,557)
Cash flows from financing activities				
Proceeds from subcription of units	3,735	6,060	-	-
Distribution to unitholders	(3,083)	(5,060)	-	-
Net cash flows (used in)/ generated from financing activities	652	1,000	-	-
Net increase in cash and cash equivalents	85,803	18,495	89,606	5,720
Cash and cash equivalents at beginning of year	31,967	13,472	19,169	13,449
Cash and cash equivalents at end of year (Note 11)	117,770	31,967	108,775	19,169

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at 8th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Multi-Purpose Capital Holdings Berhad and MPHB Capital Berhad respectively, both of which are incorporated in Malaysia. MPHB Capital Berhad is listed on Bursa Malaysia Securities Berhad.

The Company is engaged in the underwriting of all classes of general insurance business. Other information relating to the subsidiaries are disclosed in Note 6(c).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 March 2017.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 1965, in Malaysia.

The accounting policies set out in Note 2.4 have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2016.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for those financial instruments which have been measured at their fair values and insurance liabilities which have been measured in accordance with the valuation methods specified in the Risk-Based Capital Framework ("RBC Framework") for insurers issued by Bank Negara Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise stated.

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

The Group and the Company adopted the following MFRS and amendments to MFRS beginning on or after 1 January 2016.

Annual Improvements to MFRSs 2012-2014 Cycle
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
MFRS 14 Regulatory Deferral Accounts
Amendments to MFRS 101 Disclosure Initiative
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 127 Equity Method in Separate Financial Statements

The adoption of the MFRS and amendments to MFRS above did not have any material impact on the financial statements of the Group and the Company in the current financial year.

2.3 Standards issued but not yet effective

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

2. Significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Effective for financial periods beginning on or after 1 January 2018

MFRS 9, Financial Instruments (2014)
MFRS 15, Revenue from Contracts with Customers
MFRS 15, Revenue from Contracts with Customers - Clarifications to MFRS 15, Revenue from Contracts with Customers
Amendments to MFRS 2, Share-based Payments – Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 , Insurance Contracts
Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 140, Investment Properties – Transfers of Investment Property
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for financial periods to be determined by the MASB

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application except as described below:

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

2. Significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

MFRS 9 Financial Instruments: Classification and measurement

MFRS 9 has three measurement categories – amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statement of profit or loss, unless this creates an accounting mismatch.

MFRS 9 Financial Instruments: Impairment

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses (‘ECL’). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

2. Significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers (cont'd.)

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company are currently assessing the impact of MFRS 9, MFRS 15 and MFRS 16 and planned to adopt the new standards on the required effective date.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are initially recognised at cost. Subsequently, investments in subsidiaries, comprising unit trust funds, are measured in accordance with MFRS 139.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries, used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiaries and ceases when the Company loses control of the subsidiaries. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

(b) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs 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 Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(j).

Depreciation on property and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life. Work-in-progress is not depreciated as it is not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property and equipment. The annual depreciation rates are:

Motor vehicles	20 %
Office equipment and computer	10 to 33 %
Renovation, furniture and fittings	10 to 20 %
Land and building	2 %

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(b) Property and equipment and depreciation (cont'd.)

The residual values, useful lives and depreciation methods are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

(c) Investment properties

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for investment properties are in accordance with that for depreciation of property and equipment as described in Note 2.4(b).

Investment property is derecognised when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit or loss in the year in which they arise.

(d) Intangible assets

Intangible assets comprise computer application software which were developed or acquired to meet the unique requirements of the Group and the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the period in which the expenditure is incurred. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(j).

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Intangible assets (cont'd.)

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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 of five years.

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 Group and 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 five years.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating-unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to definite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial assets

The Group and the Company classify their investments into available-for-sale financial assets ("AFS") and loans and receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date. The Group and the Company initially recognise financial assets when they become a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group and the Company commit to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. LAR are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the loans and receivables. All transaction costs directly attributable to the acquisition are also included in the cost of the loans and receivables. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired.

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

AFS

AFS are non-derivative investments that are designated as available-for-sale or are not classified in any of the preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS investments are re-measured at fair value with unrealised gains or losses recognised directly in equity. Upon derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to profit or loss.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(f) Fair value of financial instruments

All financial instruments are recognised initially at the transacted price, which is the best indicator of fair value. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date. For investments in unit trusts, the fair value is determined by reference to published net assets values.

For financial instruments where there is no active market such as unquoted securities, the fair value is determined based on the average quotes obtained from one licensed financial institutions which are also the principal dealers.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Impairment of financial assets

The Group and the Company assess at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets (cont'd.)

Assets carried at amortised cost (cont'd.)

The Group and Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

A review of all outstanding amounts is performed at the end of the reporting period. Specific allowance for impairment are made for other receivables that have been individually reviewed and specifically identified as impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Other receivables are written off when deemed irrecoverable. If a write-off is later recovered, the recovery is recognised in profit or loss.

AFS investments

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to the income statement.

Reversals in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(h) Derecognition of financial assets

Financial assets are derecognised when the Group's and the Company's contractual rights to receive cash flows from the financial assets expire or where the financial assets have been transferred and the Group and the Company have also transferred substantially all risks and rewards of ownership.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(i) Equity instruments

Ordinary shares are classified as equity on the statements of financial position.

Dividends on ordinary shares are recognised and reflected in the statements of changes in equity in the period in which they are declared.

(j) Impairment of non-financial assets

Non-financial assets are tested annually for impairment. The carrying amounts of these assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets, If this is the case, recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(j) Impairment of non-financial assets (cont'd.)

An impairment loss of an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(k) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(l) Leases

(i) As lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Any initial costs are also added to the amount capitalised.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(l) Leases (cont'd.)

(i) As lessee (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in the income statement on an accrual basis over the lease term.

(ii) As lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease receipts are recognised as an income on an accrual basis over the lease term.

(m) Product classification

The Company issues contracts that transfer insurance risk only.

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

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Product classification (cont'd.)

Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment 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.

The Company does not have any investment contracts and the insurance contracts issued do not contain any DPF.

(n) Reinsurance

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

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

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

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

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Reinsurance (cont'd.)

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

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

(o) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reinsurances, unearned premium, commissions and claims incurred.

(i) Gross Premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

(ii) Reinsurance Premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(iii) Premium liabilities

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

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

Premium liability is reported at the higher of the aggregate of the unearned premium reserve (“UPR”) for all lines of business and the best estimate value of the insurer’s unexpired risk reserves (“URR”) at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer’s expenses.

(a) URR

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

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(iii) Premium liabilities (cont'd.)

(b) UPR

The UPR represents the portion of net premiums less the related net acquisition costs of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at reporting date, the methods used in calculation of actual unearned premium are as follows:

- 25% method for marine and aviation cargo, and transit business;

- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower:

- Motor and bonds	10%
- Fire, engineering, aviation and marine hull	15%
- Medical	10 - 15%
- Other classes	20%

- 1/8th method for all other classes of overseas inward treaty business, with a deduction of 20% for commission.

- Non-annual policies are time-apportioned over the period of the risks.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(iv) Claim liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise outstanding claims provision and provision for unearned premiums.

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

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liability which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported (“IBNR”) and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall Company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(v) Acquisition costs

The costs of acquiring and renewing insurance policies, net of income derived from ceding reinsurance premiums, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(p) Insurance receivables

Insurance receivables are recognised when due and measured at the fair value of the consideration received and receivable.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process and method adopted for financial assets carried at amortised cost. These processes are described in Note 2.4(g).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4(h), have been met.

(q) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the Company and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised.

(i) Rental income

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

(ii) Investment income and interest income on loan

Investment and interest income is recognised in the financial statements on an accrual basis using the effective interest method.

(iii) Dividend/distribution income from unit trust funds

Dividend/distribution income from unit trust funds is recognised on a declared basis, when the Company's right to receive payment is established.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Other revenue recognition (cont'd.)

(iv) Realised gains and losses on investments

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

(r) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Group and the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(u) Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and bank balances and fixed deposits with remaining maturity less than 3 months.

The cash flow statement has been prepared using the indirect method.

(v) Non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the statements of comprehensive income and within equity in the statements of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners’ ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. Significant accounting policies (cont'd.)

2.5 Significant of accounting judgements, estimates and assumption

(a) Critical judgements in applying the Group's accounting policies

The preparation of financial statements in conformity with MFRS requires management to exercise judgement on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed as below:

(i) Impairment of AFS financial assets

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than it's cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows. The carrying amount of the Group's and the Company's AFS financial assets are as disclosed in Note 6.

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors considered by the Company are probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. The Company also considers default risk of the industry and credit rating, payment trend and aging of receivables. The carrying amount of the Group's and the Company's insurance receivables and other receivables are as disclosed in Notes 9 and 10, respectively.

2. Significant accounting policies (cont'd.)

2.5 Significant of accounting judgements, estimates and assumption (cont'd.)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Valuation of insurance contract liabilities

For insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the reporting liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of the loss adjuster's estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. The movement and carrying amount of insurance contract liabilities of the Group and the Company are as disclosed in Note 14.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting judgements, estimates and assumptions (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Investment properties

In estimating the fair values of investment properties, the Group uses market observable data to the extent they are available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation and to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair values of investment properties of the Group and the Company are as disclosed in Notes 4 and 32.

3. Property and equipment

	Land and building RM'000	Motor vehicles RM'000	Office equipment and computer RM'000	Renovation, furniture and fittings RM'000	Total RM'000
Group and Company					
2016					
Cost					
At 1 January 2016	3,185	387	9,340	6,567	19,479
Additions	-	301	913	548	1,762
Disposals	-	(303)	(252)	(34)	(589)
At 31 December 2016	3,185	385	10,001	7,081	20,652
Accumulated depreciation					
At 1 January 2016	434	333	6,616	4,478	11,861
Charge for the year	64	67	802	507	1,440
Disposals	-	(303)	(250)	(34)	(587)
At 31 December 2016	498	97	7,168	4,951	12,714
Net carrying amount					
At 31 December 2016	2,687	288	2,833	2,130	7,938

Indicative fair value for land and building*

	RM'000
At 31 December 2016	4,950

3. Property and equipment (cont'd.)

	Land and building RM'000	Motor vehicles RM'000	Office equipment and computer RM'000	Renovation, furniture and fittings RM'000	Total RM'000
Group and Company					
2015					
Cost					
At 1 January 2015	3,185	387	7,182	5,818	16,572
Additions	-	-	2,289	769	3,058
Disposals	-	-	(131)	(20)	(151)
At 31 December 2015	3,185	387	9,340	6,567	19,479
Accumulated depreciation					
At 1 January 2015	370	316	6,018	3,999	10,703
Charge for the year	64	17	729	497	1,307
Disposals	-	-	(131)	(18)	(149)
At 31 December 2015	434	333	6,616	4,478	11,861
Net carrying amount					
At 31 December 2015	2,751	54	2,724	2,089	7,618

Indicative fair value for land and building**

	RM'000
At 31 December 2015	4,850

* Based on valuation performed by an appointed independent valuer.

** Based on desktop valuation performed by the Company as at the reporting date.

*** The cost of fully depreciated property and equipment which are still in use as at 31 December 2016 amounted to RM8,968,307 (2015: RM8,069,333).

4. Investment properties

	2016 RM'000	2015 RM'000
Group and Company		
Cost		
At 1 January	8,835	9,796
Disposals	(772)	(962)
At 31 December	8,063	8,834
Accumulated depreciation		
At 1 January	151	100
Charge for the year	50	50
At 31 December	201	150
Net carrying amount	7,862	8,684
Indicative fair value	9,400	11,200

Investment properties consist of 4 units of residential properties and a commercial building which are located in Penang.

Investment properties and lands and buildings in property and equipment are stated at cost. Estimated fair value is based on valuations performed by an accredited independent valuers with recent experience in the location and category of properties being valued. Fair value is determined using the comparison method of valuation.

Under the comparison method, fair value is estimated by considering the sale of similar or substitute properties and related market data and established a value estimate by adjustments made in factors including location, accessibility, market conditions, size, shape and terrain of land that affect value.

The updated valuations were performed by the valuers in January and February 2017 for market value of investment properties and land and buildings of property, plant and equipment as at 31 December 2016. The updated valuation revealed that there have been no significant changes in method of valuation used as compared with previous valuation report in 2013.

The movement and key assumption used in the valation are disclosed in Note 32 (ii) to the financial statements.

4. Investment properties (cont'd.)

The indicative fair value for 31 December 2016 was based on a valuation performed by an appointed valuer. The indicative fair value for 31 December 2015 was determined based on limited available information and entails comparison of the subject property with similar properties that were sold around that point in time. The characteristic, merits and demerits of these properties are noted and appropriate adjustments thereof are then made to arrive at the market value of the subject property.

5. Intangible assets

	2016 RM'000	2015 RM'000
Group and Company		
Cost		
At 1 January	7,743	6,026
Additions	1,290	1,717
At 31 December	9,033	7,743
Accumulated amortisation		
At 1 January	4,783	3,967
Charge for the year	1,092	816
At 31 December	5,875	4,783
Net carrying amount	3,158	2,960

Intangible assets comprise computer application software which were developed or acquired to meet the unique requirements of the Group and the Company.

6. Investment securities

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysian Government Papers	13,051	13,116	-	-
Debt securities	267,291	262,168	-	483
Equity securities	56,739	70,694	56,739	70,694
Unit trust funds *	50,770	49,985	276,312	276,859
Deposits with financial institutions	588,665	456,307	579,889	446,503
	976,516	852,270	912,940	794,539

* Included in unit trust funds of the Company is investment in subsidiaries amounting to RM225.5 million (2015: RM226.9 million) as disclosed in Note 6(c).

The Group's and the Company's investment securities are summarised by categories as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Available-for-sale financial assets ("AFS")	387,851	395,963	333,051	348,036
Loans and receivables ("LAR")	588,665	456,307	579,889	446,503
	976,516	852,270	912,940	794,539

6. Investment securities (cont'd.)

(a) Available-for-sale financial assets ("AFS")

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At fair value				
Equity securities				
Quoted in Malaysia	56,600	66,559	56,600	66,559
Quoted outside Malaysia	6,054	7,342	6,054	7,342
Allowance for impairment	(5,915)	(3,207)	(5,915)	(3,207)
	56,739	70,694	56,739	70,694
Malaysian Government Papers				
Malaysian Government Securities	13,051	13,116	-	-
Debt securities				
Unquoted in Malaysia	267,291	262,168	-	483
Unit trust funds				
Quoted in Malaysia	50,770	49,985	50,770	49,986
Unquoted in Malaysia	-	-	225,542	226,873
	50,770	49,985	276,312	276,859
	387,851	395,963	333,051	348,036

Movement of allowance for impairment:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	3,207	2,338	3,207	2,363
Impairment for the year	2,708	869	2,708	844
At 31 December	5,915	3,207	5,915	3,207

6. Investment securities (cont'd.)

(b) Loan and receivables ("LAR")

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	588,665	456,307	579,889	446,503
- Fixed and call deposits with tenure less than or equal to 3 months	98,323	20,464	89,547	10,660
- Weighted effective interest rate (per annum)	4.0%	3.6%	3.4%	3.5%
- Maturity periods	< 3 months	< 3 months	< 3 months	< 3 months
- Fixed and call deposits with tenure between 4 and 18 months	490,342	435,843	490,342	435,843
- Weighted effective interest rate (per annum)	4.0%	4.1%	4.0%	4.1%
- Maturity periods	4-12 months	4-12 months	4-12 months	4-12 months

The carrying amounts of fixed and call deposits approximate fair values due to the relatively short-term nature of these balances and insignificant risk of changes in value.

(c) Investment in subsidiaries

In compliance with MFRS 10, the Group's financial statements include unit trust funds which have been consolidated with the Company's financial statements.

Details of these unquoted unit trust funds in Malaysia, at fair value, are as follows:

	Company	
	2016	2015
	RM'000	RM'000
At 1 January	226,873	141,891
(Disposals)/Additions	(1,331)	84,982
At 31 December	225,542	226,873

6. Investment securities (cont'd.)

(c) Investment in subsidiaries (cont'd.)

The subsidiaries of the Company, which are established in Malaysia and held directly by the Company, are as follows:

	Company's effective interest 2016 %	Company's effective interest 2015 %	Principal activities
Opus Institutional Income Fund 2 * ("OPUS IIF2")	68.73	70.14	Wholesale fund
United Institutional Income Fund 2 ("UNITED IIF2")	98.76	98.76	Wholesale fund

The remaining 31.27% (2015: 29.86%) in OPUS IIF2 and 1.24% in United IIF2 are held by the Company's immediate holding company.

* Not audited by Ernst & Young and its member firms

7. Loans

	2016 RM'000	2015 RM'000
Group and Company		
Staff housing loans, secured	15	15
Receivable after 12 months	15	15

The weighted effective interest rate for staff loans as at 31 December 2016 was 5% (2015: 5%) per annum.

The fair value of loans were determined to approximate the carrying amount as these are immaterial in the context of the financial statements.

8. Reinsurance assets

Group and Company	2016 RM'000	2015 RM'000
Reinsurance of insurance contracts		
Claim liabilities (Note 14)	284,768	329,785
Premium liabilities (Note 14)	96,288	104,493
	381,056	434,278

9. Insurance receivables

Group and Company	2016 RM'000	2015 RM'000
Due premiums including agent/brokers and co-insurers balances	123,220	134,128
Due from reinsurers and cedants #	41,649	69,682
Due from ultimate holding company *	-	9
Due from related companies *	249	1,053
	165,118	204,872
Allowance for impairment		
- Individual	(16,986)	(17,629)
- Collective	(2,776)	(331)
	145,356	186,912

The gross balances prior to offset in respect of amounts due from reinsurers and cedants are not disclosed as the information is not available.

* The amounts due from ultimate holding company and related companies are unsecured, non interest bearing and subject to normal credit term of 90 days (2015: 90 days).

10. Other receivables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Share of net assets of Malaysian Motor Insurance Pool ("MMIP")	49,771	60,923	49,771	60,923
Income due and accrued	10,017	11,528	10,017	8,595
Deposits and prepayments	1,572	1,421	1,572	1,421
Amount due from stock broker	-	2	-	2
Other receivables	7,154	7,120	3,587	7,120
Allowance for impairment	(100)	-	-	-
	7,054	7,120	3,587	7,120
	68,414	80,994	64,947	78,061

The carrying amounts of other receivables (other than the share of net assets of MMIP) approximate fair values due to the relatively short-term maturity of these balances.

The share of net assets of MMIP (which excludes the share of insurance contract liabilities of MMIP which has been included in Note 14) is after taking into consideration cash release of RM9.0 million (2015: Cash calls of RM7.0 million made to MMIP) received from MMIP during the year.

11. Cash and bank balances

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash and bank balances	19,447	11,503	19,228	8,509

The carrying amounts of cash and bank balances approximate fair values due to the relatively short-term nature of these balances.

11. Cash and bank balances (cont'd.)

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

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash and bank balances	19,447	11,503	19,228	8,509
Deposits with financial institutions with remaining maturity periods of 3 months or less	98,323	20,464	89,547	10,660
Total cash and cash equivalents	117,770	31,967	108,775	19,169

12. Share capital

	Number of ordinary shares of RM1 each 2016 '000	Number of ordinary shares of RM1 each 2015 '000	Amount 2016 RM'000	Amount 2015 RM'000
Authorised:				
At 1 January/31 December	100,000	100,000	100,000	100,000
Issued and fully paid up:				
At 1 January/31 December	100,000	100,000	100,000	100,000

13. Reserves

(i) Retained earnings

The retained earnings as at 31 December 2016 can be distributed as dividends under the single tier system.

(ii) Fair value reserve

The fair value reserve is in respect of unrealised gain/(loss) on AFS financial assets, net of deferred taxation.

14. Insurance contract liabilities

	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
Group and Company						
Provision for claims reported by policyholders	490,452	(236,251)	254,201	516,779	(283,168)	233,611
Provision for IBNR	138,442	(48,517)	89,925	130,079	(46,617)	83,462
Claim liabilities	628,894	(284,768)	344,126	646,858	(329,785)	317,073
Premium liabilities	287,467	(96,288)	191,179	283,023	(104,493)	178,530
Insurance contract liabilities	916,361	(381,056)	535,305	929,881	(434,278)	495,603

(i) Claim Liabilities

	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
At 1 January	646,858	(329,785)	317,073	629,583	(336,984)	292,599
Claims incurred in current accident year	317,615	(96,194)	221,421	285,873	(123,675)	162,198
Claims incurred in prior accident year	11,091	(12,319)	(1,228)	(3,064)	19,191	16,127
Movement in PRAD of claim liabilities at 75% confidence level	8,212	(4,379)	3,833	(486)	3,686	3,200
Movement in claims handling expenses	(1,249)	-	(1,249)	2,382	-	2,382
Adjustment in IBNR	1,399	2,479	3,878	(5,887)	7,906	2,019
Claims paid during the year (Note 23)	(355,032)	155,430	(199,602)	(261,543)	100,091	(161,452)
At 31 December	628,894	(284,768)	344,126	646,858	(329,785)	317,073

14. Insurance contract liabilities (cont'd.)

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Group and Company						
(ii) Premium Liabilities						
At 1 January	283,023	(104,493)	178,530	268,150	(106,962)	161,188
Premiums written in the year (Note 18)	637,655	(234,160)	403,495	593,891	(237,208)	356,683
Premiums earned during the year (Note 18)	(633,211)	242,365	(390,846)	(579,018)	239,677	(339,341)
At 31 December	287,467	(96,288)	191,179	283,023	(104,493)	178,530

As at 31 December 2016, included in insurance contract liabilities of the Group and Company are the Group's and the Company's share of MMIP's claims and premium liabilities amounted to RM38.2 million (2015: RM58.3 million) and RM2.4 million (2015: RM4.2 million), respectively.

15. Insurance payables

	2016 RM'000	2015 RM'000
Group and Company		
Due to agents and intermediaries	4,271	3,715
Due to reinsurers and cedants	117,505	149,243
Due to ultimate holding company *	23	21
Due to related companies *	9	18
	121,808	152,997

* The amounts due to ultimate holding company and related companies are unsecured, non interest bearing and subject to normal credit term of 90 days (2015: 90 days).

The carrying amounts approximate fair values due to the relatively short-term maturity of these balances.

16. Deferred tax (assets)/liabilities

	2016 RM'000	2015 RM'000
Group and Company		
At 1 January	369	277
Recognised in other comprehensive income	(1,688)	(466)
Recognised in the income statements (Note 25)	(230)	558
At 31 December	(1,549)	369
Presented in the statements of financial position as follow:		
Deferred tax assets	(1,549)	-
Deferred tax liabilities	-	369
Presented prior to appropriate offsetting as follows:		
Deferred tax assets	(3,213)	(1,116)
Deferred tax liabilities	1,664	1,485
	(1,549)	369

16. Deferred tax (assets)/liabilities (cont'd.)

	Unearned premium reserve RM'000	Fair value changes on investments RM'000	Accelerated capital allowances RM'000	Total RM'000
Deferred tax liabilities				
2016				
At 1 January	151	-	1,334	1,485
Recognised in:				
Income statements	77	-	102	179
At 31 December	228	-	1,436	1,664
Deferred tax liabilities				
2015				
At 1 January	112	104	835	1,051
Transferred to deferred tax assets	-	(104)	-	(104)
Recognised in:				
Income statements	39	-	499	538
At 31 December	151	-	1,334	1,485

	Fair value changes on investments RM'000	Allowance for impairment RM'000	Total RM'000
Deferred tax assets			
2016			
At 1 January	(267)	(849)	(1,116)
Recognised in:			
Other comprehensive income	(1,688)	-	(1,688)
Income statements	-	(409)	(409)
At 31 December	(1,955)	(1,258)	(3,213)

16. Deferred tax (assets)/liabilities (cont'd.)

	Fair value changes on investments RM'000	Allowance for impairment RM'000	Total RM'000
Deferred tax assets			
2015			
At 1 January	-	(774)	(774)
Transferred from deferred tax liability	104	-	104
Recognised in:			
Other comprehensive income	(466)	-	(466)
Income statements	95	(75)	20
At 31 December	(267)	(849)	(1,116)

17. Other payables

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Provisions and accruals	18,766	14,484	18,766	14,484
Ultimate holding company *	532	566	532	566
Other payables	24,345	18,441	24,232	18,320
	43,643	33,491	43,530	33,370

* The amounts due to ultimate holding company are unsecured, non interest bearing and repayable on demand.

The carrying amounts of other payables approximate fair values due to the relatively short-term maturity of these balances.

18. Net earned premium

	2016 RM'000	2015 RM'000
Group and Company		
(a) Gross premium (Note 14(ii))	637,655	593,891
Change in premium liabilities	(4,444)	(14,873)
Gross earned premium	633,211	579,018
(b) Gross premium ceded (Note 14(ii))	(234,160)	(237,208)
Change in premium liabilities	(8,205)	(2,469)
Premium ceded	(242,365)	(239,677)
Net earned premiums	390,846	339,341

19. Investment income

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
AFS financial assets				
Dividend/distribution income:				
- equity securities quoted in Malaysia	2,326	2,818	2,326	2,818
- equity securities quoted outside Malaysia	2	114	2	114
- unquoted unit trust fund	-	-	11,815	9,439
- quoted unit trust fund	-	2,293	2,284	2,293
Interest income from debt securities	1,850	12,770	17	188
LAR interest	35,432	17,423	20,774	17,430
Rental income from investment properties	139	135	139	135
Amortisation of premium, net	(148)	(95)	(1)	(5)
	39,601	35,458	37,356	32,412

20. Realised gains

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Realised gains for AFS financial assets:				
Equity securities quoted in Malaysia	5,857	2,610	5,857	2,610
Debt securities unquoted in Malaysia	4,472	87	-	-
	10,329	2,697	5,857	2,610

21. Commission income

	2016	2015
	RM'000	RM'000
Group and Company		
Reinsurance commission income	45,732	42,983

22. Other operating revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Realised gain on disposal of property and equipment	79	4	79	4
Realised gain on disposal of investment properties	369	469	369	469
Recovery of impairment of investment	676	-	676	-
Impairment losses on AFS financial assets	(2,708)	(869)	(2,708)	(844)
Impairment losses on other receivables	(100)	-	-	-
Service income earned from MMIP	6,365	6,724	6,365	6,724
Sundry (expenses)/income	(1,186)	1,146	(1,185)	1,237
	3,495	7,474	3,596	7,590

23. Net claims incurred

	Note	2016 RM'000	2015 RM'000
Group and Company			
Gross claims paid less salvage	14(i)	355,032	261,543
Reinsurance recoveries	14(i)	(155,430)	(100,091)
Net claims paid		199,602	161,452
Gross change in contract liabilities			
At 31 December		628,894	646,858
At 1 January	14(i)	(646,858)	(629,583)
		(17,964)	17,275
Change in contract liabilities ceded to reinsurers			
At 31 December		(284,768)	(329,785)
At 1 January	14(i)	329,785	336,984
		45,017	7,199
Net claims incurred		226,655	185,926

24. Management expenses

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Employee benefits expense	24(a)	57,580	49,751	57,580	49,751
Directors' remuneration	24(b)	276	278	276	278
Parent auditors' remuneration:					
- statutory audit		209	208	200	200
- audit-related services		9	17	9	17
Other auditors' remuneration		10	10	-	-
Allowance for impairment losses on insurance receivables	9	1,802	4,731	1,802	4,731
Rental of properties		2,834	2,616	2,834	2,616
Depreciation of property and equipment	3	1,440	1,307	1,440	1,307
Depreciation of investment properties	4	50	50	50	50
Amortisation of intangible assets	5	1,092	816	1,092	816
Fund managers' expenses		1,860	1,856	924	898
Bad debts written off		447	730	447	730
Marketing expenses		14,610	11,698	14,610	11,698
Management fees		1,632	2,092	1,632	2,092
Bank charges		2,481	1,804	2,481	1,804
Computers maintenance		2,188	1,713	2,188	1,713
Printing and stationery		3,296	2,897	3,296	2,897
Other expenses		3,260	3,910	3,976	4,655
		95,076	86,484	94,837	86,253

(a) Employee benefits expense

	2016	2015
	RM'000	RM'000
Group and Company		
Wages and salaries	37,729	30,852
Bonus	8,902	9,280
Social security contributions	350	288
Contributions to defined contribution plan, EPF	5,620	4,907
Other benefits	4,979	4,424
	57,580	49,751

24. Management expenses (cont'd.)

(b) Directors' remuneration

Group and Company

The details of remuneration (received/receivable) by directors during the year are as follows:

	2016 RM'000	2015 RM'000
Non-executive Directors:		
Fees	210	207
Emoluments	66	69
Benefits-in-kind	-	3
	276	279

The number of directors whose total remuneration (received/receivable) is RM50,000 and below during the financial year are as follows:

	Number of Directors 2016	2015
Non-executive Directors RM50,000 and below	1	5

(c) Chief Executive Officer's remuneration

Remuneration received by the Chief Executive Officer ("CEO") during the year are as follows:

	2016 RM'000	2015 RM'000
Salaries and other emoluments	876	219
Bonus	140	175
Contribution to defined contribution plan, EPF	122	49
Benefits-in-kind	7	2
Amount included in employee benefits expenses	1,145	445

25. Taxation

Group and Company	2016 RM'000	2015 RM'000
Income tax (Note 16):		
Malaysian income tax	17,690	15,069
(Over)/under provision of tax expense in prior year	(1,196)	89
	16,494	15,158
Deferred tax:		
Relating to origination and reversal of temporary differences	(348)	617
Reduction in income tax rate	-	(5)
Under/(over) provision of deferred tax in prior year	118	(54)
	(230)	558
Tax expense for the year	16,264	15,716

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	82,328	77,146	75,951	74,360
Taxation at Malaysian statutory tax rate of 24% (2015:25%)	19,602	19,287	18,228	18,590
Effect of decrease in income tax rate	-	(5)	-	(5)
Income not subject to tax	(5,004)	(3,995)	(3,630)	(3,298)
Effect of expenses not deductible for tax purposes	2,744	2,146	2,744	2,146
Additional deduction allowed in respect of cash contributions made to MMIP during the year	-	(1,752)	-	(1,752)
Under/(over) provision of deferred tax in prior years	118	(54)	118	(54)
(Over)/under provision of tax expense in prior years	(1,196)	89	(1,196)	89
Tax expense for the year	16,264	15,716	16,264	15,716

26. Earnings per share

The Group's basic and diluted earning per ordinary share has been calculated based on the Group profit after taxation for the year of RM66.1 million (2015: RM61.4 million) and the weighted average number of ordinary shares in issue of 100,000,000 (2015: 100,000,000) shares.

27. Capital commitments

	2016 RM'000	2015 RM'000
Group and Company		
Approved and contracted for:		
Computer software and hardware	391	1,477
Property and equipment	102	75
	493	1,552

28. Operating lease arrangements

(a) The Company as lessor

The Company has entered into operating lease agreements for the rent of certain office premises. These leases have an average life of between 1 to 2 years (2015: 1 to 2 years) with certain contracts carrying renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

The future aggregate minimum lease payments receivable under operating lease contracted for as at the reporting date but not recognised as receivables, are as follows:

	2016 RM'000	2015 RM'000
Future minimum rental payments receivables:		
Not later than 1 year	177	-

28. Operating lease arrangements (cont'd.)

(b) The Company as lessee

The Company has entered into operating lease agreements for the use of certain office premises. These leases have an average life of between 1 to 5 years (2015: 1 to 5 years) with certain contracts carrying renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	2016 RM'000	**2015 RM'000**
Future minimum rental payments:		
Not later than 1 year	2,680	205
Later than 1 year and not later than 5 years	2,644	114
	5,324	319

29. Significant related party disclosures

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

Related parties also include key management personnel as disclosed in Note 29(d).

(a) Related parties

Name	**Relationship**
MPHB Capital Berhad	Ultimate holding company
Assicurazioni Generali S.p.A	Related company
Tune Insurance (Labuan) Ltd	Associate of the ultimate holding company
Flamingo Management Sdn Bhd^	^Subsidiary of the ultimate holding company
Leisure Dotcom Sdn Bhd^	
Magnum Leisure Sdn Bhd^	
Syarikat Perniagaan Selangor Sdn Bhd^	

29. Significant related party disclosures (cont'd.)

(a) Related parties (cont'd.)

Name	**Relationship**
Magnum Berhad*	*Company in which certain directors' have financial interest
Magnum 4D Berhad*	
Magnum Corporation Sdn Bhd*	
Magnum Information Technology Sdn Bhd*	
Wasco Oilfield Services Sdn Bhd*	
Wasco Lindung Sdn Bhd*	
Ganda Persona Sdn Bhd*	
Metra Management Sdn Bhd*	
Ace Management Sdn Bhd*	
Sababumi (Sandakan) Sdn Bhd*	

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

	2016 RM'000	**2015 RM'000**
Group and Company		
Income/(expenses):		
Ultimate holding company:		
Insurance premium received	195	248
Commission paid	(14)	(20)
Claim paid	(96)	(55)
Management fees paid for service provided	(1,744)	(2,092)
General expenses	(88)	(22)
GST implementation fees	-	(133)
Subsidiaries of the ultimate holding company:		
Insurance premium received	679	631
Commission paid	(73)	(67)
Claims paid	(225)	(234)
Sponsorship paid	-	(3)
General expenses	(49)	(33)

29. Significant related party disclosures (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with related parties during the year (cont'd.):

	2016 RM'000	2015 RM'000
Group and Company		
Income/(expenses) (cont'd.):		
Related companies:		
Insurance premium received	-	1,197
Insurance premium ceded	(9,265)	(7,585)
Commission received	2,548	2,017
Claims paid	-	(413)
Commission paid	-	(75)
Claim paid recovery	4,390	2,744
General expenses	-	(10)
Companies in which certain directors' have financial interest:		
Insurance premium received	1,812	1,217
Commission paid	(261)	(172)
Commission received	2	-
Claims paid	(945)	(448)
Sponsorship received	55	55
General expenses	(25)	(2)
Amount due from/(due to)		
Amount due from ultimate holding company:		
MPHB Capital Berhad	-	9
Amount due from subsidiaries of the ultimate holding company:		
Magnum Leisure Sdn Bhd	5	2
Syarikat Perniagaan Selangor Sdn Bhd	5	-
	10	2
Amount due from companies in which certain directors' have financial interest:		
Ganda Persona Sdn Bhd	-	306
Magnum 4D Berhad	2	679
Magnum Corporation Bhd	12	1
Metra Management Sdn Bhd	225	-
Wasco Oilfield Services Sdn Bhd	-	28
Wasco Lindung Sdn Bhd	-	37
	239	1,051

29. Significant related party disclosures (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with related parties during the year (cont'd.):

	2016 RM'000	2015 RM'000
Amount due from/(due to) (cont'd.)		
Amount due to ultimate holding company:		
MPHB Capital Berhad	555	587
Amount due to a related company:		
Assicurazioni Generali S.p.A	4,975	-
Amount due to subsidiaries of the ultimate holding company:		
Syarikat Perniagaan Selangor Sdn Bhd	7	10
Magnum Leisure Sdn Bhd	-	8
	7	18
Amount due to a company in which certain directors' have financial interest:		
Magnum 4D Bhd	2	-

(c) The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016 RM'000	2015 RM'000
Short term employee benefits	4,478	4,961
Other long-term benefits	446	584
	4,924	5,545

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company includes the Chief Executive Officer, Chief Operating Officer, General Managers and Assistant General Managers of the Company.

30. Risks management framework

Framework and responsibility

The Board of Directors is committed to the development of an effective Risk Management Framework ("RMF"), with the aims of providing a consistent approach to risk and facilitating an accurate perception of acceptable risk by all employees. It forms an intergral part of the Company's business strategic planning, performance agreement and general risk management culture. The RMF is established to provide guiding principles on risk management approach, risk governance structure, roles and responsibilities, methodology used for risk assessment, and risk monitoring and reporting.

Under the RMF, the Company adopts the three lines of defence approach to provide an independent oversight to assist the Management in achieving its strategic plans and missions by implementing risk management and compliance activities across the organisation. In this regard, the Business Units act as the "first line of defence" while the risk control units and the Risk Management and Compliance act as the second and third line of defence, respectively.

The Board entrusts the Risk Management Committee ("RMC") with the overall responsibility for overseeing the risk management activities of the Company and to ensure that appropriate risk management is in place and functioning effectively as well as to endorse appropriate risk management policies/frameworks and measurement methodologies across the organisation.

The RMC has a broad mandate to ensure the effective implementation of the objectives outlined in the RMF and to monitor their compliance throughout the Company. The RMC is responsible for periodically reporting risk exposures to the Board. The roles and responsibilities as well as the authorities of the RMC are set out in the Board-approved Term of Reference ("TOR") for the RMC.

A Executive Committee ("EXCO") has been established to serve as a medium between the RMC and the Management. This Committee will oversee the daily risks management activities of the Company to ensure that risks inherent in daily business activities are managed efficiently and effectively and will report regularly to the RMC on its recommendations and/or decisions.

In addition, the Board delegates to the Chief Executive Officer ("CEO") the responsiblity for ensuring effective implementation and maintenance of the RMF and that all personnel adhere to its mandates.

The detailed line accountability for risk management is fully aligned with the Company's Risk Governance structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the Company's risks are attributed to the CEO, head of various department and branches.

30. Risk management framework (cont'd.)

Objectives and policies

The objective of the risk management policy is to define an ongoing and consistent process for identifying, assessing, monitoring and reporting upon the significant risks faced by the various departments and branch offices, and ultimately, the entire Company.

The implementation of the RMF allows management to manage risks within defined risk/return parameters, risk tolerances and risk management standards. As such it provides a framework for the effective identification, evaluation, management and reporting of the Company's risks.

Effective management of risks identified is implemented via establishment of internal controls, systems, policies and procedures. Systems are designed to provide reasonable assurance that assets are safeguarded, insurance risk exposure is within the desired limit, reinsurance protection is adequate and counterparties are subject to security assessment. The RMF is reviewed on a periodic basis.

Capital Management Plan

The objective of the CMP is to optimise the efficient and effective use of resources in order to maximise the return on equity and provide an appropriate level of capital to protect the policyholders, taking into account events that can impact directly or indirectly on the operations and financial resilience of the Company whilst complying with rules and regulations issued by the relevant authorities.

The Company's capital management is driven by business strategies and takes into consideration the impact of business and regulatory environment in which the Company operates. To comply with the RBC Framework, the Company has also set an Individual Target Capital Level ("ITCL") of 180% which is above the minimum regulatory requirements.

Stress Test

The CMP also includes a Stress Test Policy which requires a stress test to be conducted on yearly basis.

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under execptional but adverse possible events.

The stress tests results together with mitigating plans are tabled every half-year for deliberation and recommendation to the Board for approval prior to submission to Bank Negara Malaysia.

30. Risk management framework (cont'd.)

Asset Liability Management (ALM)

The primary objective of the Company's asset/liability management policy is to ensure that adequate liquid assets are held at all times and provide a satisfactory and consistent earnings on these assets.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance. The Company's EXCO and Investment Committee are primarily responsible for the asset/liability management based on guidelines approved by the Board.

Risk Management of the subsidiaries

The risk of the subsidiaries are managed by the respective external fund managers and they are considered by the Board in its overall risk management activities.

31. Insurance risk

The Company underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis, with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Company also underwrites some non-annual policies with coverage period more than one year such as Mortgage Reducing Personal Accident, Contractor's All Risk and Engineering, Bonds and Workmen Compensation. The majority of the insurance businesses written by the Company are Fire and Motor. Other major lines of business include Contractor's All Risk and Engineering, Workmen Compensation, Liabilities, Personal Accidents and other miscellaneous classes.

The Company's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Company seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

31. Insurance risk (cont'd.)

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Company faces under insurance contracts is that the actual claims and benefits payments differ from expectations, the risks arise from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The Company adopts the following measures to manage its insurance risks:

(i) The Company has in place a claims management and control system to pay claims and control claim wastage or fraud. The Company has claim review policies to assess all new and ongoing claims, review of claims handling procedures and investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

(ii) The Company purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to provide market-leading capacity for the Company’s customers while protecting the statement of financial position and optimising the Company’s capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. The Company’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

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31. Insurance risk (cont'd.)

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

	2016			2015		
	Gross RM	Reinsurance RM	Net RM	Gross RM'000	Reinsurance RM'000	Net RM'000
Group and Company						
Claim Liabilities						
Motor	230,158	(7,571)	222,587	220,247	(7,704)	212,543
Fire	93,494	(71,100)	22,394	125,444	(101,999)	23,445
Marine, Aviation & Transit	91,993	(83,163)	8,830	89,116	(82,837)	6,279
Miscellaneous	213,249	(122,934)	90,315	212,051	(137,245)	74,806
	628,894	(284,768)	344,126	646,858	(329,785)	317,073
Premium Liabilities						
Motor	109,461	(16,760)	92,701	97,493	(13,845)	83,648
Fire	42,910	(24,586)	18,324	40,506	(23,298)	17,208
Marine, Aviation & Transit	23,256	(20,852)	2,404	35,026	(32,812)	2,214
Miscellaneous	111,840	(34,090)	77,750	109,998	(34,538)	75,460
	287,467	(96,288)	191,179	283,023	(104,493)	178,530

31. Insurance risk (cont'd.)

Key Assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling cost and claims numbers for each accident year.

Additional qualitative judgements are used to assess the extend to which past trends may not apply in the future, for example, isolated occurrence, change in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimation.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign exchange rates.

The Company has based its risk margin for adverse deviation for the provisions for unexpired risks and insurance claims at a minimum 75% of sufficiency, according to the requirement set by Bank Negara Malaysia under the RBC Framework.

Sensitivities

The Company has appointed an independent actuarial firm to evaluate its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

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 liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims 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.

31. Insurance risk (cont'd.)

Group and Company

Sensitivities

	Change in assumption	<------------Increase/(decrease)---------------> Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2016					
Average claim cost	+10%	58,109	32,952	(32,952)	(25,044)
Average number of claims	+10%	32,907	25,717	(25,717)	(19,545)
Average claims settlement period	Increase by 6 months	10,131	7,326	(7,326)	(5,568)
2015					
Average claim cost	+10%	57,773	26,072	(26,072)	(19,554)
Average number of claims	+10%	34,549	23,171	(23,171)	(17,378)
Average claims settlement period	Increase by 6 months	9,317	6,105	(6,105)	(4,579)

* impact on equity reflects adjustments for tax, when applicable

Claim Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greater when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

The management of the Company believes that the estimate of total claims outstanding as of 31 December 2016 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

31. Insurance risk (cont'd.)

Claim Development Table (cont'd.)

Gross general insurance contract liabilities 2016

Accident year	Prior 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	364,710	273,955	221,090	225,900	250,572	319,927	337,467	364,499	
One year later	283,469	297,469	196,534	218,491	275,038	298,233	359,041		
Two years later	276,209	283,844	185,601	206,308	268,228	290,607			
Three years later	273,541	281,178	177,984	201,209	250,437				
Four years later	268,800	258,719	174,818	199,640					
Five years later	258,588	246,172	172,081						
Six years later	253,736	233,160							
Seven years later	250,573								
Current estimate of cumulative claims incurred	250,573	233,160	172,081	199,640	250,437	290,607	359,041	364,499	
At end of accident year	(110,654)	(66,089)	(66,857)	(68,404)	(78,103)	(107,625)	(87,568)	(113,618)	
One year later	(196,934)	(145,219)	(132,063)	(140,189)	(157,222)	(208,729)	(248,442)		
Two years later	(225,951)	(164,223)	(152,569)	(160,186)	(185,018)	(239,950)			
Three years later	(233,745)	(182,266)	(159,273)	(176,761)	(209,525)				
Four years later	(237,111)	(190,640)	(161,056)	(181,867)					
Five years later	(240,419)	(201,360)	(162,157)						
Six years later	(241,136)	(202,735)							
Seven years later	(243,589)								
Cumulative payments to date	(243,589)	(202,735)	(162,157)	(181,867)	(209,525)	(239,950)	(248,442)	(113,618)	
Gross general insurance outstanding liabilities (direct and facultative)	6,984	30,425	9,924	17,773	40,912	50,657	110,599	250,881	518,155

Case reserves reconciliation difference between SMCD and G Forms	871
Gross general insurance outstanding liabilities (treaty inward)	40,922
Best estimate of claim liabilities	559,948
Claim handling expenses	5,032
Fund PRAD at 75% confidence interval	63,914
Gross general insurance contract liabilities per statements of financial position (Note 14)	628,894

31. Insurance risk (cont'd.)

Claim Development Table (cont'd.)

Net general insurance contract liabilities 2016

Accident year	Prior 2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	120,410	125,104	129,888	142,610	157,393	184,690	198,958	253,976	
One year later	118,098	122,605	123,352	137,867	158,587	176,156	190,772		
Two years later	119,218	120,211	121,022	129,143	152,216	171,634			
Three years later	118,971	117,792	117,274	126,578	148,629				
Four years later	119,025	116,154	114,584	126,591					
Five years later	119,493	113,704	112,576						
Six years later	117,135	112,062							
Seven years later	113,554								
Current estimate of cumulative claims incurred	113,554	112,062	112,576	126,591	148,629	171,634	190,772	253,976	
At end of accident year	(49,962)	(46,848)	(47,308)	(55,488)	(63,109)	(76,737)	(76,018)	(101,485)	
One year later	(87,688)	(85,718)	(85,415)	(98,085)	(115,460)	(130,314)	(137,924)		
Two years later	(100,243)	(96,694)	(98,114)	(110,481)	(128,322)	(142,578)			
Three years later	(107,283)	(102,441)	(102,597)	(116,930)	(133,953)				
Four years later	(109,870)	(104,087)	(103,911)	(118,966)					
Five years later	(112,243)	(104,591)	(104,370)						
Six years later	(112,744)	(105,489)							
Seven years later	(112,889)								
Cumulative payments to date	(112,889)	(105,489)	(104,370)	(118,966)	(133,953)	(142,578)	(137,924)	(101,485)	
Net general insurance outstanding liabilities (direct and facultative)	665	6,573	8,206	7,625	14,676	29,056	52,848	152,491	272,140

Case reserves reconciliation difference between SMCD and G Forms	871
Net general insurance outstanding liabilities (treaty inward)	40,922
Best estimate of claim liabilities	313,933
Claim handling expenses	5,032
Fund PRAD at 75% confidence interval	25,161
Net general insurance contract liabilities per statements of financial position (Note 14)	344,126

31. Insurance risk (cont'd.)

Claim Development Table (cont'd.)

Gross general insurance contract liabilities 2015

Accident year	Prior 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	282,098	364,710	273,955	221,090	225,900	250,572	319,927	337,467	
One year later	282,098	283,469	297,469	196,534	218,491	275,038	298,233		
Two years later	232,193	276,209	283,844	185,601	206,308	268,229			
Three years later	227,013	273,541	281,178	177,984	201,209				
Four years later	226,850	268,800	258,719	174,818					
Five years later	227,254	258,588	246,172						
Six years later	221,187	253,736							
Seven years later	217,535								
Current estimate of cumulative claims incurred	217,535	253,736	246,172	174,818	201,209	268,229	298,233	337,467	
At end of accident year	(63,026)	(110,654)	(66,089)	(66,857)	(68,404)	(78,103)	(107,625)	(87,568)	
One year later	(145,216)	(196,934)	(145,219)	(132,063)	(140,189)	(157,222)	(208,729)		
Two years later	(175,215)	(225,951)	(164,223)	(152,569)	(160,186)	(185,018)			
Three years later	(194,030)	(233,745)	(182,266)	(159,273)	(176,761)				
Four years later	(198,157)	(237,111)	(190,640)	(161,056)					
Five years later	(200,310)	(240,419)	(201,360)						
Six years later	(206,969)	(241,136)							
Seven years later	(212,614)								
Cumulative payments to date	(212,614)	(241,136)	(201,360)	(161,056)	(176,761)	(185,018)	(208,729)	(87,568)	
Gross general insurance outstanding liabilities (direct and facultative)	4,921	12,600	44,812	13,762	24,448	83,211	89,504	249,899	523,157
Case reserves reconciliation difference between SMCD and G Forms									794
Gross general insurance outstanding liabilities (treaty inward)									60,927
Best estimate of claim liabilities									584,878
Claim handling expenses									6,280
Fund PRAD at 75% confidence interval									55,700
Gross general insurance contract liabilities per statements of financial position (Note 14)									646,858

31. Insurance risk (cont'd.)

Claim Development Table (cont'd.)

Net general insurance contract liabilities 2015

Accident year	Prior 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	115,506	120,410	125,104	129,888	142,610	157,393	184,690	198,958	
One year later	113,749	118,098	122,605	123,352	137,867	158,587	176,157		
Two years later	114,565	119,218	120,211	121,022	129,143	152,216			
Three years later	113,794	118,971	117,792	117,274	126,578				
Four years later	113,196	119,025	116,154	114,584					
Five years later	113,010	119,493	113,704						
Six years later	111,521	117,135							
Seven years later	108,944								
Current estimate of cumulative claims incurred	108,944	117,135	113,704	114,584	126,578	152,216	176,157	198,958	
At end of accident year	(51,593)	(49,962)	(46,848)	(47,308)	(55,488)	(63,109)	(76,737)	(76,018)	
One year later	(86,076)	(87,688)	(85,718)	(85,415)	(98,085)	(115,460)	(130,314)		
Two years later	(96,674)	(100,243)	(96,694)	(98,114)	(110,481)	(128,322)			
Three years later	(103,078)	(107,283)	(102,441)	(102,597)	(116,930)				
Four years later	(104,786)	(109,870)	(104,087)	(103,911)					
Five years later	(106,111)	(112,243)	(104,591)						
Six years later	(107,110)	(112,744)							
Seven years later	(107,702)								
Cumulative payments to date	(107,702)	(112,744)	(104,591)	(103,911)	(116,930)	(128,322)	(130,314)	(76,018)	
Net general insurance outstanding liabilities (direct and facultative)	1,242	4,391	9,113	10,673	9,648	23,894	45,843	122,940	227,744

Case reserves reconciliation difference between SMCD and G Forms	794
Net general insurance outstanding liabilities (treaty inward)	60,927
Best estimate of claim liabilities	289,465
Claim handling expenses	6,280
Fund PRAD at 75% confidence interval	21,328
Net general insurance contract liabilities per statements of financial position (Note 14)	317,073

32. Financial risks (cont'd.)

Group and Company

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

Credit Risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major classes of financial assets of the Company are deposits with financial institutions, AFS financial assets, insurance receivables and other receivables.

Credit risk arises when the Group and the Company's cash assets are placed in interest-bearing instruments, mainly fixed and call deposits and repurchase agreements with licensed financial institutions. The Group and the Company manage this credit risk by spreading its deposits with a large group of financial institutions.

Trade receivables are monitored regularly and the Group and the Company adopt various control measures such as 60 Days Premium Warranty and Cash Before Cover to minimise its credit risk.

Credit exposure

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
LAR:				
Fixed and call deposits	588,665	456,307	579,889	446,503
Other receivables	68,414	80,994	64,947	78,061
Cash and bank balances	19,447	11,503	19,228	8,509
AFS financial assets:				
Malaysian Government Papers	13,051	13,116	-	-
Debt securities	267,291	262,168	-	483
Unit trust funds	50,770	49,985	276,312	276,859
Reinsurance assets	381,056	434,278	381,056	434,278
Insurance receivables	145,356	186,912	145,356	186,912
	1,534,050	1,495,263	1,466,788	1,431,605

32. Financial risks (cont'd.)

Credit exposure by credit rating

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

	Neither past-due nor impaired			
	Investment grade RM'000	Not Rated RM'000	Past-due but not impaired RM'000	Total RM'000
Group				
2016				
LAR:				
Fixed and call deposits	579,665	9,000	-	588,665
Other receivables	-	68,414	-	68,414
Cash and bank balances	19,307	140	-	19,447
AFS financial assets:				
Malaysian Government Papers	-	13,051	-	13,051
Debt securities	250,594	16,697	-	267,291
Unit trust funds	-	50,770	-	50,770
Reinsurance assets	48,684	332,372	-	381,056
Insurance receivables	-	129,671	18,461	148,132
	898,250	620,115	18,461	1,536,826
2015				
LAR:				
Fixed and call deposits	423,003	33,304	-	456,307
Other receivables	-	80,994	-	80,994
Cash and bank balances	8,369	3,134	-	11,503
AFS financial assets:				
Malaysian Government Papers	-	13,116	-	13,116
Debt securities	237,772	24,396	-	262,168
Unit trust funds	-	49,985	-	49,985
Reinsurance assets	93,308	340,970	-	434,278
Insurance receivables	-	157,492	29,750	187,242
	762,452	703,391	29,750	1,495,593

32. Financial risks (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither past-due nor impaired			
	Investment grade RM'000	Not Rated RM'000	Past-due but not impaired RM'000	Total RM'000
Company				
2016				
LAR:				
Fixed and call deposits	570,889	9,000	-	579,889
Other receivables	-	64,947	-	64,947
Cash and bank balances	19,088	140	-	19,228
AFS financial assets:				-
Unit trust funds	-	276,312	-	276,312
Reinsurance assets	48,684	332,372	-	381,056
Insurance receivables	-	129,671	18,461	148,132
	638,661	812,442	18,461	1,469,564
2015				
LAR:				
Fixed and call deposits	423,003	23,500	-	446,503
Other receivables	-	78,061	-	78,061
Cash and bank balances	8,369	140	-	8,509
AFS financial assets:				
Debt securities	483	-	-	483
Unit trust funds	-	276,859	-	276,859
Reinsurance assets	93,308	340,970	-	434,278
Insurance receivables	-	157,492	29,750	187,242
	525,163	877,022	29,750	1,431,935

32. Financial risks (cont'd.)

Credit exposure by credit rating (cont'd.)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), A.M. Best Company ("A.M. Best") and Standards & Poor's ("'S&P") credit ratings of counterparties. AAA is the highest possible rating.

	AAA RM'000	AA RM'000	A RM'000	BBB to B RM'000	Not rated RM'000	Total RM'000
Group						
2016						
LAR:						
Fixed and call deposits	223,166	105,531	250,968	-	9,000	588,665
Other receivables	-	-	-	-	68,414	68,414
Cash and bank balances	1,354	1,932	16,021	-	140	19,447
AFS financial assets:						
Malaysian Government Papers	-	-	-	-	13,051	13,051
Debt securities	63,039	159,753	27,802	-	16,697	267,291
Unit trust funds	-	-	-	-	50,770	50,770
Reinsurance assets	-	7,093	41,591	-	332,372	381,056
Insurance receivables	-	-	-	-	145,356	145,356
	287,559	274,309	336,382	-	635,800	1,534,050

32. Financial risks (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB to B RM'000	Not rated RM'000	Total RM'000
Group						
2015						
LAR:						
Fixed and call deposits	183,603	52,535	186,865	-	33,304	456,307
Other receivables	-	-	-	-	80,994	80,994
Cash and bank balances	5,442	680	2,247	-	3,134	11,503
AFS financial assets:						
Malaysian Government Papers	-	-	-	-	13,116	13,116
Debt securities	33,913	170,287	33,572	-	24,396	262,168
Unit trust funds	-	-	-	-	49,985	49,985
Reinsurance assets	-	26,231	67,077	-	340,970	434,278
Insurance receivables	-	16	5,761	3	181,132	186,912
	222,958	249,749	295,522	3	727,031	1,495,263

32. Financial risks (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB to B RM'000	Not rated RM'000	Total RM'000
Company						
2016						
LAR:						
Fixed and call deposits	214,390	105,531	250,968	-	9,000	579,889
Other receivables	-	-	-	-	64,947	64,947
Cash and bank balances	1,354	1,713	16,021	-	140	19,228
AFS financial assets:						
Unit trust funds	-	-	-	-	276,312	276,312
Reinsurance assets	-	7,093	41,591	-	332,372	381,056
Insurance receivables	-	-	-	-	145,356	145,356
	215,744	114,337	308,580	-	828,127	1,466,788

32. Financial risks (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB to B RM'000	Not rated RM'000	Total RM'000
Company						
2015						
LAR:						
Fixed and call deposits	179,913	48,028	195,062	-	23,500	446,503
Other receivables	-	-	-	-	78,061	78,061
Cash and bank balances	5,442	680	2,247	-	140	8,509
AFS financial assets:						
Debt securities	483	-	-	-	-	483
Unit trust funds	-	-	-	-	276,859	276,859
Reinsurance assets	-	26,231	67,077	-	340,970	434,278
Insurance receivables	-	16	5,761	3	181,132	186,912
	185,838	74,955	270,147	3	900,662	1,431,605

32. Financial risks (cont'd.)

Credit exposure by credit rating (cont'd.)

It is the Group and the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables Management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's and the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded.

The Group and the Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Aging analysis of financial assets:

	2016 RM'000	2015 RM'000
Neither past-due nor impaired	129,671	157,492
Past-due but not impaired	18,461	29,750
Past-due and impaired	16,986	17,629
Total	165,118	204,871

At 31 December 2016, there are impaired insurance receivables of approximately RM17.0 million (2015: RM17.6 million). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months. No collateral is held as security for any past due or impaired assets. The Group and the Company records impairment allowance for insurance receivables in separate allowance account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	2016 RM'000	2015 RM'000
(i) Individual allowance for impairment		
At 1 January	17,629	12,898
(Reversal of)/charge for the year	(643)	4,731
At 31 December	16,986	17,629
(ii) Collective allowance for impairment		
At 1 January	331	331
Charge for the year	2,445	-
At 31 December	2,776	331

32. Financial risks (cont'd.)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

(i) A company-wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk for the Company. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Company's SOMC as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.

(ii) The Company has set the guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contracts obligations.

(iii) Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

(iv) The Company's treaty reinsurance contracts contains clauses permitting the Company to call for funding to meet claim payment should claim events exceed a specify amount.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivable.

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

Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Group						
2016						
Investment securities:						
Fixed and call deposits	588,665	588,665	-	-	-	588,665
AFS financial assets	387,851	13,997	130,896	139,940	103,018	387,851
Loans	15	-	-	15	-	15
Reinsurance assets - claim liabilities	284,768	137,143	117,454	30,171	-	284,768
Insurance receivables	145,356	145,356	-	-	-	145,356
Other receivables	68,414	68,414	-	-	-	68,414
Cash and bank balances	19,447	-	-	-	19,447	19,447
	1,494,516	953,575	248,350	170,126	122,465	1,494,516
Insurance contract liabilities - claim liabilities	628,894	361,620	229,865	37,409	-	628,894
Insurance payables	121,808	121,808	-	-	-	121,808
Other payables	43,643	43,643	-	-	-	43,643
	794,345	527,071	229,865	37,409	-	794,345

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Group						
2015						
Investment securities:						
Fixed and call deposits	456,307	456,307	-	-	-	456,307
AFS financial assets	395,963	714	986	-	394,263	395,963
Loans	15	-	-	15	-	15
Reinsurance assets - claim liabilities	329,785	192,032	124,011	13,742	-	329,785
Insurance receivables	186,912	186,912	-	-	-	186,912
Other receivables	80,994	80,994	-	-	-	80,994
Cash and bank balances	11,503	-	-	-	11,503	11,503
	1,461,479	916,959	124,997	13,757	405,766	1,461,479
Insurance contract liabilities - claim liabilities	646,858	376,662	243,243	26,953	-	646,858
Insurance payables	152,997	152,997	-	-	-	152,997
Other payables	33,491	33,491	-	-	-	33,491
	833,346	563,150	243,243	26,953	-	833,346

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Company						
2016						
Investment securities:						
Fixed and call deposits	579,889	579,889	-	-	-	579,889
AFS financial assets	333,051	-	1,026	-	332,025	333,051
Loans	15	-	-	15	-	15
Reinsurance assets - claim liabilities	284,768	137,143	117,454	30,171	-	284,768
Insurance receivables	145,356	145,356	-	-	-	145,356
Other receivables	64,947	64,947	-	-	-	64,947
Cash and bank balances	19,228	-	-	-	19,228	19,228
	1,427,254	927,335	118,480	30,186	351,253	1,427,254
Insurance contract liabilities - claim liabilities	628,894	361,620	229,865	37,409	-	628,894
Insurance payables	121,808	121,808	-	-	-	121,808
Other payables	43,530	43,530	-	-	-	43,530
	794,232	526,958	229,865	37,409	-	794,232

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Company						
2015						
Investment securities:						
Fixed and call deposits	446,503	446,503	-	-	-	446,503
AFS financial assets	348,036	714	986	-	346,336	348,036
Loans	15	-	-	15	-	15
Reinsurance assets - claim liabilities	329,785	192,032	124,011	13,742	-	329,785
Insurance receivables	186,912	186,912	-	-	-	186,912
Other receivables	78,061	78,061	-	-	-	78,061
Cash and bank balances	8,509	-	-	-	8,509	8,509
	1,397,821	904,222	124,997	13,757	354,845	1,397,821
Insurance contract liabilities - claim liabilities	646,858	376,662	243,243	26,953	-	646,858
Insurance payables	152,997	152,997	-	-	-	152,997
Other payables	33,370	33,370	-	-	-	33,370
	833,225	563,029	243,243	26,953	-	833,225

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the current and non current of the assets and liabilities presented in the statements of financial position.

Group	Current RM'000	Non-current RM'000	Total RM'000
2016			
Property and equipment	-	7,938	7,938
Investment properties	-	7,862	7,862
Intangible assets	-	3,158	3,158
Investment securities			
LAR	588,665	-	588,665
AFS	13,997	373,854	387,851
Loans	-	15	15
Reinsurance assets	233,431	147,625	381,056
Insurance receivables	145,356	-	145,356
Other receivables	68,414	-	68,414
Deferred tax assets	-	1,549	1,549
Cash and bank balances	19,447	-	19,447
Total assets	1,069,310	542,001	1,611,311
Insurance contract liabilities	649,087	267,274	916,361
Insurance payables	121,808	-	121,808
Tax payable	7,478	-	7,478
Other payables	43,643	-	43,643
Total liabilities	822,016	267,274	1,089,290
2015			
Property and equipment	-	7,618	7,618
Investment properties	-	8,684	8,684
Intangible assets	-	2,960	2,960
Investment securities			
LAR	456,307	-	456,307
AFS	394,977	986	395,963
Loans	-	15	15
Reinsurance assets	296,525	137,753	434,278
Insurance receivables	186,912	-	186,912
Other receivables	80,994	-	80,994
Cash and bank balances	11,503	-	11,503
Total assets	1,427,218	158,016	1,585,234
Insurance contract liabilities	659,685	270,196	929,881
Insurance payables	152,997	-	152,997
Tax payable	4,764	-	4,764
Deferred tax liabilities	-	369	369
Other payables	33,491	-	33,491
Total liabilities	850,937	270,565	1,121,502

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

Company	Current RM'000	Non-current RM'000	Total RM'000
2016			
Property and equipment	-	7,938	7,938
Investment properties	-	7,862	7,862
Intangible assets	-	3,158	3,158
Investment securities			
LAR	579,889	-	579,889
AFS	-	333,051	333,051
Loans	-	15	15
Reinsurance assets	233,431	147,625	381,056
Insurance receivables	145,356	-	145,356
Other receivables	64,947	-	64,947
Deferred tax assets	-	1,549	1,549
Cash and bank balances	19,228	-	19,228
Total assets	1,042,851	501,198	1,544,049
Insurance contract liabilities	649,087	267,274	916,361
Insurance payables	121,808	-	121,808
Tax payable	7,478	-	7,478
Other payables	43,530	-	43,530
Total liabilities	821,903	267,274	1,089,177

Company			
2015			
Property and equipment	-	7,618	7,618
Investment properties	-	8,684	8,684
Intangible assets	-	2,960	2,960
Investment securities			
LAR	446,503	-	446,503
AFS	347,050	986	348,036
Loans	-	15	15
Reinsurance assets	296,525	137,753	434,278
Insurance receivables	186,912	-	186,912
Other receivables	78,061	-	78,061
Cash and bank balances	8,509	-	8,509
Total assets	1,363,560	158,016	1,521,576

32. Financial risks (cont'd.)

Maturity profiles (cont'd.)

Company	Current RM'000	Non-current RM'000	Total RM'000
2015 (cont'd.)			
Insurance contract liabilities	659,685	270,196	929,881
Insurance payables	152,997	-	152,997
Tax payable	4,764	-	4,764
Deferred tax liabilities	-	369	369
Other payables	33,370	-	33,370
Total liabilities	2,784,383	566,334	1,121,381

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk - foreign exchange rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

The key features of the Company's market risk management practices and policies are as follows:

(i) A Company-wide market risk policy setting out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported fortnightly to the SOMC and exposure and breaches are reported as soon as practicable.

(ii) The Company’s policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company’s risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

The Company manages its subsidiary's market risk in the same manner with the above risk management practices and policies.

32. Financial risks (cont'd.)

Currency risk

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

The Group's and the Company’s primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to US Dollar (USD).

As the Group's and the Company’s businesses are conducted primarily in Malaysia, the Group's and Company’s financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.
The Group and the Company does not engage in derivative transaction.

As the Group's and the Company’s main foreign exchange risk from recognised assets and liabilities arises from reinsurance and investment transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group and the Company has no significant concentration of foreign currency risk.

Interest rate/profit yield risk

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

The Group and the Company is exposed to interest rate risk primarily through its investments in fixed income securities and deposits placements. Interest rate risk is managed by the Group and the Company on an ongoing basis.

32. Financial risks (cont'd.)

The Group and the Company has no significant concentration of interest rate/profit yield risk.

The sensitivity analysis of the Group's and the Company's fixed income securities is as follows:

	Change in basis points	Sensitivity of changes in investment income Increase/(decrease)		Sensitivity of changes in fair value of investment securities Increase/(decrease)	
		Group	Company	Group	Company
2016		RM'000	RM'000	RM'000	RM'000
Malaysian Government Papers	+25 / -25	-	-	(33)/33	-
Debt securities	+25 / -25	-	-	(668)/668	-
Deposits with financial institutions	+25 / -25	89/(89)	87/(87)	1,472/(1,472)	1,450/(1,450)
2015					
Malaysian Government Papers	+25 / -25	-	-	(33)/33	-
Debt securities	+25 / -25	-	-	(655)/655	(1)/1
Deposits with financial institutions	+25 / -25	44/(44)	44/(44)	1,141/(1,141)	1,116/(1,116)

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), irregardless whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

The Group's and the Company’s equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

32. Financial risks (cont'd.)

Price risk (cont'd.)

The Group and the Company is exposed to equity price risk arising from investments held by the Group and the Company and classified in the statement of financial position as available-for-sale financial assets that comprises quoted equities and unit trusts.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact of statements of comprehensive income and equity (due to changes in fair value of available-for-sale financial assets).

		<---Increase/(decrease)--->	
	Changes	Impact on equity*	
	in variable	2016	2015
Group and Company	%	RM'000	RM'000
Market indices:			
Stock exchange	+10%	8,171	9,051
Stock exchange	-10%	(8,171)	(9,051)

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

Operational risks

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

The Group and the Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group and the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

Business risks, such as, changes in environment, technology and the industry are monitored through the Group's and the Company’s strategic planning and budgeting process.

Fair value hierarchy

The table below analyses those financial instruments carried at fair value by their valuation methods and non-financial assets which are carried at cost in the statements of financial position, of which their fair value are disclosed. The different levels have been defined as follows:

(a) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.

32. Financial risks (cont'd.)

Fair value hierarchy (cont'd.)

(b) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).

(c) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial assets carried at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2016				
Quoted equity securities	56,739	-	-	56,739
Malaysian Government Papers	-	13,051	-	13,051
Debt securities	-	267,291	-	267,291
Quoted unit trust funds	50,770	-	-	50,770
2015				
Quoted equity securities	70,694	-	-	70,694
Malaysian Government Papers	-	13,116	-	13,116
Debt securities	-	262,168	-	262,168
Quoted unit trust funds	49,985	-	-	49,985
Company				
2016				
Quoted equity securities	56,739	-	-	56,739
Unit trust funds	50,770	225,542	-	276,312
2015				
Quoted equity securities	70,694	-	-	70,694
Debt securities	-	483	-	483
Unit trust funds	49,986	226,873	-	276,859

32. Financial risks (cont'd.)

Fair value hierarchy (cont'd.)

(ii) Non-financial assets carried at cost but with fair value disclosed

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
2016				
Property and equipment	-	-	4,950	4,950
Investment properties	-	-	9,400	9,400
2015				
Property and equipment	-	-	4,850	4,850
Investment properties	-	-	11,200	11,200

(a) Movement

	Property and equipment RM'000	Investment properties RM'000
As at 1 January 2015	4,680	11,709
Fair value increase/(decrease)	170	(509)
As at 31 December 2015	4,850	11,200
Fair value increase/(decrease)	100	(1,800)
As at 31 December 2016	4,950	9,400

There were no gains or losses recognised in profit or loss with respect to these assets.

(b) Key assumption used

The significant unobservable valuation input used in the valuation of property and equipment and investment properties is as follows:

	Property and equipment		Investment properties	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Price per square metres	4 - 9	3 - 9	6 - 10	6 - 11

32. Financial risks (cont'd.)

Fair value hierarchy (cont'd.)

(ii) Non-financial asset carried at cost but with fair value disclosed (cont'd.)

(c) Sensitivity analysis

Significant increase/(decrease) in estimated price per square metres in isolation would result in significantly higher/(lower) fair value.

	Property and equipment		Investment properties	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Increase in price per square metres by 10%	4 -10	4 -10	7 - 11	7 - 12
Decrease in price per square metres by 10%	3 - 8	3 - 8	6 - 9	6 - 10

33. Non-controlling interests

	2016 RM'000	2015 RM'000
Group		
At beginning of year	62,288	60,347
Share of profit for the year	1,687	941
Additional non-controlling interests arising from disposal in equity interest in the Funds, net	3,735	6,060
Distribution paid	(3,083)	(5,060)
At end of year	64,627	62,288

Financial information of the subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name of the subsidiaries	Country of incorporation and operation	2016 %	2015 %
OPUS Institutional Income Fund 2	Malaysia	31.27	29.86
United Institutional Income Fund 2	Malaysia	1.24	1.24

33. Non-controlling interests (cont'd.)

	2016 RM'000	2015 RM'000
Accumulated balances of non-controlling interests:		
OPUS Institutional Income Fund 2	62,967	61,287
United Institutional Income Fund 2	1,660	1,001
	64,627	62,288
Profit allocated to non-controlling interests:		
OPUS Institutional Income Fund 2	1,680	780
United Institutional Income Fund 2	7	161
	1,687	941

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

	Opus Institutional Income Fund 2	
	2016 RM'000	2015 RM'000
Summarised statement of comprehensive income:		
Investment income	12,700	9,632
Management expenses	(755)	(765)
Profit before taxation	11,945	8,867
Taxation	-	-
Net profit for the year, representing total comprehensive income for the year	11,945	8,867
Profit attributable to non-controlling interests	1,680	780
Net creation of units	652	1,000

33. Non-controlling interests (cont'd.)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations. (cont'd.)

	Opus Institutional Income Fund 2	
	2016	**2015**
	RM'000	**RM'000**
Summarised statement of financial position as at 31 December:		
Investments	209,451	201,210
Other receivables	-	100
Cash and bank balances	2,184	8,221
Other payables	(69)	(79)
Total equity	211,566	209,452
Attributable to:		
Equity holders of parent	148,599	148,165
Non-controlling interest	62,967	61,287
	211,566	209,452

	United Institutional Income Fund 2	
	2016	**2015**
	RM'000	**RM'000**
Summarised statement of comprehensive income:		
Investment income	3,651	2,602
Management expenses	(271)	(217)
Profit before taxation	3,380	2,385
Taxation	-	-
Net profit for the year, representing total comprehensive income for the year	3,380	2,385
Profit attributable to non-controlling interests	7	161
Net creation of units	-	-

33. Non-controlling interests (cont'd.)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations. (cont'd.)

	United Institutional Income Fund 2	
	2016	2015
	RM'000	RM'000
Summarised statement of financial position as at 31 December:		
Investments	74,356	75,658
Other receivables	-	764
Cash and bank balances	6,813	4,577
Other payables	(44)	(41)
Total equity	81,125	80,958
Attributable to:		
Equity holders of parent	79,465	79,957
Non-controlling interest	1,660	1,001
	81,125	80,958

	Opus Institutional Income Fund 2	
	2016	2015
	RM'000	RM'000
Summarised cash flow information for year ended 31 December:		
Operating activities	3,793	8,798
Financing activities	(9,830)	(1,203)
Net (decrease)/increase in cash and cash equivalents	(6,037)	7,595

	United Institutional Income Fund 2	
	2016	2015
	RM'000	RM'000
Summarised cash flow information for year ended 31 December:		
Operating activities	5,448	(73,996)
Financing activities	(3,212)	78,573
Net increase in cash and cash equivalents	2,236	4,577

34. Regulatory capital requirements

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

	Company 2016 RM'000	Company 2015 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	100,000	100,000
Share premium and retained earnings	360,970	301,283
	460,970	401,283
Tier 2 Capital		
Fair value reserves	(6,098)	(1,088)
Amount deducted from Capital		
Intangible assets	(3,158)	(2,960)
Deferred tax expenses	230	(558)
Total Capital Available	451,944	396,677

The Company is required to comply with the regulatory capital requirements prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a mininum capital adequacy ratio of 130%. As at year end, the Company has a capital adequacy ratio in excess of the minimum requirement.

35. Subsequent events

(i) The Malaysia Competition Commission "MYCC" had investigated PIAM (General Insurance Association of Malaysia) together with its 22 members, including the Company, for an alleged infringement of the prohibition under section 4(2)(a) of the Competition Act 2010 (“the Act”) for fixing parts trade discount and labour rates for PARS (PIAM Authorised Repairers Scheme) workshops.

On 23 February 2017, the MYCC issued its proposed decision to impose a financial penalty on all 22 general insurance companies amounting to RM213,454,814.

The Company share of the penalty is amounting to RM4,089,138. The MYCC’s proposed decision is premised on Section 4(2)(a) of the Act which provides that an agreement with the object to fix, directly or indirectly, a purchase or selling price or any other trading conditions is deemed to have the object of significantly preventing, restricting or distorting the competition in the market.

(ii) On 15 September 2016, the Companies Act 2016 (“New Act”) was enacted and will replace the Companies Act, 1965 in Malaysia with the New Act to be effective on 31 January 2017.

The New Act was enacted to replace the Companies Act, 1965 in Malaysia with the objective of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except for Section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Bank upon the commencement of the New Act on 31 January 2017 are:

i) the removal of the authorised share capital; and

ii) the ordinary shares of the Bank will cease to have par or nominal value.

The adoption of the New Act is not expected to have any financial impact on the Company for the current financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Company in the next financial year ending 31 December 2017.