Directors' Report & Audited Financial Statements

For The Financial Year Ended 31 December 2016

CONTENTS

MCIS Insurance Berhad
(Incorporated in Malaysia)

Directors' report

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

Principal activity

The Company is principally engaged in the underwriting of life and investment linked insurance. There has been no significant change in the principal activity during the financial year.

Results

	RM'000
Net profit for the year	28,582

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 Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of financial year ended 31 December 2015:	
Final single tier dividend of 89.75% on 100,284,071 ordinary shares paid on 24 June 2016	90,000

Share capital

There was no change in the authorised, issued and paid-up capital of the Company during the financial year.

MCIS Insurance Berhad
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Directors

The names of the directors of the Company since the end of the previous financial year and at the date of this report are:

Mr. Kirupalani a/l Chelliah (Chairman)
Independent, non-executive director

Dato' Hj Mustapha @ Mustapa bin Md Nasir
Non-independent, non-executive director

Mr. Murugiah M N Singham
Independent, non-executive director

Dato' Dr Md Khir bin Abdul Rahman
Independent, non-executive director

Mr. William Robertson Dommisse
Non-independent, non-executive director

Mr. Mohammad Nizar bin Idris (appointed on 23 March 2016)
Independent, non-executive director

Datin Sunita Mei-Lin Rajakumar (appointed on 24 March 2016)
Independent, non-executive director

Mr. Prasheem Seebran (appointed on 11 May 2016)
Non-independent, non-executive director

Mr. Cornelius Karel Foord (resigned on 24 March 2016)
Non-independent, non-executive director

Mr. Philippus Rudolph Van Rooijen (resigned on 11 May 2016)
Non-independent, non-executive director

Tan Sri Mohamed Al Amin bin Abdul Majid (resigned on 27 October 2016)
Non-independent, non-executive director

Dato' Balaram a/l Petha Naidu (ceased on 24 November 2016)
Non-independent, non-executive director

Directors' benefits

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

Since the end of the previous financial year, 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 the Directors as shown in Note 25 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' interests

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.

Other statutory information

(a) Before the statement of financial position, income statement and statement of comprehensive income of 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 satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; 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 had 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:

    (i) require any amount to be written off as bad debts or render the amount of the allowance for doubtful debts of the Company inadequate to any substantial extent; and

    (ii) render the values attributed to current assets in the financial statements of the Company misleading.

Other statutory information (cont'd.)

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of 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 financial statements 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 Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

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

(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 Company to meet their obligations when they fall due; and

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

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

(g) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by Bank Negara Malaysia ("BNM").

(h) The total amount paid to or receivable by the auditors as remuneration for their services as auditors is disclosed in Note 25 to the financial statements.

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Subsequent event

Details of subsequent event is disclosed in Note 41 to the financial statements.

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 March 2017.

Mr. Kirupalani a/l Chelliah

Mr. Murugiah M N Singham

Petaling Jaya, Malaysia
16 March 2017

MCIS Insurance Berhad
(Incorporated in Malaysia)

Corporate governance disclosures

Directors' profiles

Mr. Kirupalani a/l Chelliah was appointed as an independent, non-executive director of the Company on 12 May 2011. Subsequently he was appointed as Chairman of the Board on 1 April 2016. He graduated with a B.Econs (Hons) degree from University of Malaya, Kuala Lumpur in 1972. He began his working career in the public service as an insurance regulator at the Ministry of Finance followed by a short secondment at Bank Negara Malaysia until his retirement in 1988. His subsequent appointment was in the insurance industry as a member of the senior management team of MNI Insurance Bhd (1989-2001). He then served on the Board of Oriental Capital Assurance Bhd, as an Independent Non-Executive Director (2002-2011). The Asian Development Bank (ADB) had also appointed him as an International Insurance Supervision Consultant to the Government of Cambodia on an intermittent basis (2006-2012).

Dato' Hj Mustapha @ Mustapa bin Md Nasir was appointed as a non-independent, non-executive director of the Company in 2005. He holds a degree in Bachelor of Science (Finance) from Oklahoma City University, USA. Previously, Dato' Hj Mustapha served as General Manager of Human Resource for Telekom Malaysia and subsequently TM Net Sdn Bhd, until his retirement in 2005. Dato' Hj Mustapha is presently on the Board of Koperasi MCIS Berhad, Koperasi Telekom Malaysia Berhad and Chairman of Koperasi Konsumer Malaysia Berhad (MCCS).

Mr. Murugiah M N Singham was appointed as an independent, non-executive director of the Company on 27 September 2012 and at present, is also the Chairman of the Board Audit Committee of the Company. He has had a career spanning 38 years with investment banking and insurance institutions as well as the Malaysian capital market regulator. Mr. Murugiah was with the Securities Commission Malaysia as Senior General Manager & Head, Supervision for three years. Prior to that, he was with AmInvestment Bank for 26 years where he held various positions including as Director, Group Compliance and General Manager, Corporate Finance. During his tenure with the Bank, he was seconded as Chief Executive of AmProperty Trust Management for 3 years and following that was appointed a Director of the Company. For nine years from 1973, Mr. Murugiah worked in various capacities including as Financial Controller of MCIS Ltd.

Currently, Mr. Murugiah serves as an independent non-executive director of The Bank Nova Scotia Berhad, a position which he has held since 1 May 2013, and is Chairman of its Board Audit Committee.

Mr Murugiah is a Fellow of the Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants.

Dato' Dr. Md Khir bin Abdul Rahman was appointed as an independent, non-executive director of the Company on 17 July 2013. He is also a member of Board of Directors of several other companies in the public and private sectors until 2004. Prior to this he was the Chief Executive Officer and director of Telekom Malaysia. He has also served as the General Manager of Malaysia Electronic Payment System (MEPS).

Corporate governance disclosures (cont'd.)

Directors' profiles (cont'd.)

Dato' Dr Mohd Khir started his career with the Malaysian Agricultural Research and Development Institute (MARDI) in 1972 before joining Bank Negara Malaysia in 1983. He held various positions in the central bank until his departure in 1996 to join the telecommunication sector as the Managing Director of Mejati Technologies Group. He holds a Bachelor of Science Degree in Mathematics from University Malaya, Masters in Agriculture Development and Doctorate in Computing Statistics, both from the State University of Ghent, Belgium. He has depth of experience in information and communication technology, banking and payment systems as well as in the development of e-commerce applications.

Mr. William Robertson Dommisse was appointed as a non-independent, non-executive director of the Company on 27 May 2015. He is the Group Executive: Mergers and Acquisitions, Strategic Alliances of Sanlam Emerging Markets Proprietary Limited ("SEM"). He is a Chartered Accountant who joined Sanlam in 1994 after completing his articles at Ernst & Young. He has worked across the company in various roles in the Finance, IT, Operations, Distribution and Tax areas. During this period he has represented Sanlam on numerous Boards of subsidiaries and associated companies. Prior to taking his current position he was the CFO of SEM. Robert has been instrumental in the expansion of Sanlam into several African countries and has been driving the expansion into South East Asia. His qualifications include a Bachelors of Accounting and B Accounting (Honours) from Stellenbosch University, an EDP (Manchester University), MBA from Stellenbosch University (cum laude) a Diploma in Investment Management (University of Johannesburg) and Executive Programme in International Management (Stanford University/National University of Singapore).

Mr. Mohammad Nizar bin Idris was appointed as an independent, non-executive director of the Company on 23 March 2016. He obtained his Bachelor in Law (Honours) Degree from the University of Singapore in 1967. He was admitted as an Advocate and Solicitor of the High Court of Malaya and attended the Advance Management Programme by Harvard University, Boston in 1994.

He started his career in the Judicial and Legal Service of the Government. He was the Senior Federal Counsel responsible for tax and treasury matters. Thereafter, he left the government service to join the private sector. He joined Royal Dutch Shell ("Shell") working in Malaysia, the Netherlands and in the UK. During his last posting in Shell in London, he was the Head of the Legal Division responsible for Shell's investment, joint ventures, mergers and acquisitions worldwide. Before retiring from Shell, he returned to Malaysia to assume the position of Deputy Chairman and Executive Director of the Shell Companies in Malaysia. He was also the Chairman of Shell Chemicals (TKSB). After his retirement, he was appointed as a director of board of several companies.

Currently, Mr. Nizar is the Chairman of Pacific & Orient Insurance Bhd. He is also the Chairman of Bechtel Malaysia, CDC Management Sdn Bhd and CDC Consulting Sdn Bhd, an Independent Non-Executive Director of Eversendai Corporation Bhd, and a Director of Rotary Mec (M) Sdn Bhd and FIDE FORUM.

Directors' profiles (cont'd.)

Datin Sunita Mei-Lin Rajakumar was appointed as independent, non-executive director of the Company on 24 March 2016. She is also the chairperson of the Company's Board Risk Management Committee. She graduated from the University of Bristol in 1990 with a degree in Law (LLB Hons) and qualified as a Member of the Institute of Chartered Accountants of England and Wales in February 1994.

Her working experience includes four years in Ernst & Young, London, and six years at RHB Investment Bank, Kuala Lumpur, before she established her own firm, Artisan Encipta Ltd. to manage a government-owned foreign technology venture fund from 2002 to 2008. Since then, she has consulted on national competitiveness by improving national innovation ecosystems, as well as the competitiveness of business.

She was appointed to the Board of Hai-O Enterprise Berhad on 5 January 2009, and also the Chairperson of the Audit Committee and Risk Management Committee. She also sits on the Board of Trustees of Hai-O Foundation. Her other board appointments include her position as Chairperson of Caring Pharmacy Group Berhad and its Audit Committee, where she is an independent non-executive director, a director of the Board of Trustees of Yayasan Usman Awang, Yayasan myNadi and Yayasan Seni Berdaftar which is registered with the Prime Minister's Department, and is the Festival Director of the inaugural Kuala Lumpur International Arts Festival in September 2015.

Mr. Prasheem Seebran was appointed as non-independent, non-executive director of the Company on 11 May 2016. He serves as regional executive for South East Asia. He served as Chief Actuary at the Telesure Group and Head of Actuarial at Guardrisk Insurance Company. He was appointed as the Actuary, Chief Risk Officer and SEM's representative at Pacific & Orient Insurance Co. Berhad. He has over 16 years of experience in the insurance industry having worked in underwriting, actuarial, product development and reinsurance. He has managed and developed several high performance teams in the past and has launched several firsts at his previous companies including insurance telematics, internal capital models, innovative products and structured risk solutions. He has been a non-executive director at Shriram Capital Limited since 8 December 2016. Mr. Seebran is a qualified actuary and a Fellow of both the Actuarial Society of South Africa and the Malaysian Actuarial Society. He holds bachelor of Science Honours Degree from the University of Witwatersrand in Johannesburg. He has also completed several management programmes including an Advanced Management Programme at Gordon Institute of Business Science.

None of the directors in office at the end of the financial year had any shareholding in the Company during the financial year.

The appointments and resignations of directors since the end of the previous financial year is disclosed in the Directors' report.

Corporate governance disclosures (cont'd.)

Board of Directors

The Board of Directors ("the Board") consists of five independent, non-executive directors and three non-independent, non-executive directors. The attendance of the Board at the 10 board meetings held during the financial year was as follows:

	Attendance
Chairman:	
Kirupalani a/l Chelliah	10/10
Directors:	
Dato' Hj Mustapha @ Mustapa bin Md Nasir	8/10
Murugiah M N Singham	10/10
Dato' Dr Md Khir bin Abdul Rahman	9/10
William Robertson Dommisse	9/10
Mohammad Nizar bin Idris (appointed on 23 March 2016)	7/7
Datin Sunita Mei-Lin Rajakumar (appointed on 24 March 2016)	7/7
Prasheem Seebran (appointed on 11 May 2016)	6/6
Cornelius Karel Foord (resigned on 24 March 2016)	3/3
Philippus Rudolph Van Rooijen (resigned on 11 May 2016)	4/4
Tan Sri Mohamed Al Amin bin Abdul Majid (resigned on 27 October 2016)	7/8
Dato' Balaram a/l Petha Naidu (ceased on 24 November 2016)	9/9

The Board assumes overall responsibility for leading, governing, guiding and monitoring the performance of the Company, including but not limited to:

(a) reviewing and adopting strategic plans for the Company.

(b) overseeing the conduct of the Company's business to determine whether the business is being properly managed.

(c) identifying principal risks, setting of risk appetites, and ensuring the implementation of appropriate internal controls and mitigation measures.

(d) succession planning, including ensuring all candidates appointed to senior management positions are of sufficient calibre and programs are in place to provide for the orderly succession of senior management.

(e) overseeing the development and implementation of shareholder communications policy for the Company.

(f) reviewing the adequacy and the integrity of the Company's management information and internal control systems.

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

Directors' remuneration

The remuneration of each of the directors during the financial year was as follows:

	Non-deferred			
	Fixed remuneration		Variable remuneration	
	Cash-based RM'000	Other RM'000	Cash-based RM'000	Other RM'000
Kirupalani a/l Chelliah	153	-	61	-
Dato' Hj Mustapha @ Mustapa bin Md Nasir	78	-	41	-
Murugiah M N Singham	78	-	45	-
Dato' Dr Md Khir bin Abdul Rahman	78	-	40	-
William Robertson Dommisse*	78	-	34	-
Mohammad Nizar bin Idris	61	-	22	-
Datin Sunita Mei-Lin Rajakumar	60	-	22	-
Prasheem Seebran*	49	-	24	-
Cornelius Karel Foord*	18	-	11	-
Philippus Rudolph Van Rooijen*	28	-	12	-
Tan Sri Mohamed Al Amin bin Abdul Majid	89	-	24	-
Dato' Balaram a/l Petha Naidu	71	-	39	-
	841	-	375	-

* The remuneration of these directors are paid to SEM.

There was no deferred remuneration awarded to the directors during the financial year.

The details of the directors' remuneration are disclosed in Note 25(b).

Directors' Training

The Board understands the importance of continuous training, and is encouraged to keep abreast with the latest developments, trends and insights and regulatory requirements related to insurance industry.

Seven of the eight directors attended the Financial Institutions Directors' Education ("FIDE") programme organised by the International Centre for Leadership in Finance. The eighth director, who was appointed to the Board during the year, will attend the programme in April 2017.

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

Directors' Training (cont'd.)

The directors which was appointed during the financial year completed the directors induction programme organised by the Company. This programme familiarises the directors with the Company's business operations and organisational structures.

The directors also attended a series of dialogue sessions held by FIDE, which includes the dialogue on the *Corporate Governance Concept Paper* (with Deputy Governor of Bank Negara Malaysia), *An Exclusive Session For Directors: Implementation of FIDE Forum's Directors Register, Insurance Insight, Building Audit Commission for Tomorrow, FinTech: Business Opportunity or Distruptor* and four *Board Leadership Series* with different topics on *Cyber-Risk Oversight, Avoiding Financial Myopia, Effective Board Evaluation* and *Strategy to Leverage Technology for Business Solutions.*

Directors with professional memberships met their Continuing Professional Development ("CPD") hours requirement.

The new Bank Negara Malaysia ("BNM")'s guideline, *Corporate Governance* focuses on clarifying the role of the Board and senior management, enhancing the Board effectiveness through strengthening its composition, sets out broad principles and structures in which the Company should adopt in making good corporate governance an integral part of the Company's business dealings and culture. The guideline also encourages the Company to disclosure its corporate governance to the public. A gap analysis exercise is carried out to ensure that the Company meets the requirements stipulated in the guideline. Except for the transitional arrangements stated in the guideline, the corporate governance disclosures of the Company are progressively complied with, and/or completed as scheduled.

The Board is supported by the Board Audit Committee ("AC"), the Board Risk Management Committee ("BRMC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). The memberships, roles and terms of reference of the committees are as follows:

(i) Audit Committee ("AC")

The AC comprises three independent, non-executive directors and two non-independent, non-executive directors. The attendance of the members of the committee at the 6 committee meetings held during the financial year was as follows:

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

(i) Audit Committee ("AC") (cont'd.)

	Attendance
<u>Chairman:</u>	
Mr. Murugiah M N Singham	6/6
<u>Members:</u>	
Dato' Hj Mustapha @ Mustapha Md Nasir (appointed on 12 May 2016)	3/4
Dato' Dr Md Khir bin Abdul Rahman (appointed on 12 May 2016)	4/4
Datin Sunita Mei-Lin Rajakumar (appointed on 12 May 2016)	4/4
Prasheem Seebran (appointed on 12 May 2016)	3/4
Cornelius Karel Foord (resigned on 24 March 2016)	2/2
Kirupalani a/l Chelliah (resigned on 12 May 2016)	2/2

The AC supports the Board in ensuring that there is a reliable and transparent financial reporting process within the Company. They also oversee the effectiveness of the internal audit function by:

(a) reviewing and approving the annual audit scope, procedures and frequency;

(b) 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;

(c) 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; and

(d) establishing a mechanism to assess the performance and effectiveness of the internal audit function.

In addition, the AC fosters a quality audit of the Company by exercising oversight over the external auditor in accordance with the expectations set out in the BNM guidelines, BNM/RH/GL/018-4 *External Auditor.* The main duties and responsibilities of the AC on the external auditor are:

(a) making recommendations to the board on the appointment, removal and remuneration of the external auditor;

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

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

(i) Audit Committee ("AC") (cont'd.)

(c) 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;

(d) 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

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

(ii) Board Risk Management Committee ("BRMC")

The BRMC comprises two independent, non-executive directors and two non-independent, non-executive directors. The attendance of the members of the committee at the 6 committee meetings held during the financial year was as follows:

	Attendance
Chairperson:	
Datin Sunita Mei-Lin Rajakumar (appointed on 12 May 2016)	4/4
Members:	
Dato' Hj Mustapha @ Mustapha Md Nasir	6/6
William Robertson Dommisse	6/6
Mohammad Nizar bin Idris (appointed on 12 May 2016)	4/4
Philippus Rudolph Van Rooijen (resigned on 11 May 2016)	2/2
Dato' Dr Md Khir bin Abdul Rahman (resigned on 12 May 2016)	2/2

The role of the BRMC is to advise and assist the Board in fulfilling its responsibility with regard to overseeing the design and implementation of Company's risk assurance framework and responsibilities in accordance with BNM guidelines and SEM group policies. The BRMC assists the Board, including but not limited to:

(a) determining the risk appetite and level of risk tolerance for the Company;

(b) setting and implementing the Company risk assurance framework and supporting policies;

(c) setting and implementing compliance related policies;

(d) evaluating the adequacy and efficiency of the risk management system;

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

(ii) Board Risk Management Committee ("BRMC") (cont'd.)

(e) identifying the build-up and concentration of the various risks to which the Company is exposed;

(f) establishing an independent risk management function;

(g) establishing a process for appropriate risk disclosures to stakeholders;

(h) ensuring that a formal assessment of the risk management processes is undertaken; and

(i) overseeing the state of IT Governance and information management and security across the Company.

(iii) Nominating Committee ("NC")

The NC comprises three independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the committee at the 9 committee meetings held during the financial year was as follows:

	Attendance
Chairman:	
Mohammad Nizar bin Idris (appointed on 12 May 2016)	4/4
Members:	
Murugiah M N Singham	9/9
Kirupalani a/l Chelliah	9/9
Prasheem Seebran (appointed on 12 May 2016)	3/4
Cornelius Karel Foord (resigned on 24 March 2016)	3/3
Dato' Hj Mustapha @ Mustapa Md Nasir (resigned on 12 May 2016)	5/5
William Robertson Dommisse (resigned on 12 May 2016)	5/5
Dato' Balaram a/l Petha Naidu (ceased on 24 November 2016)	8/8

NC is responsible for making recommendations to the Board on all new appointments to the Board and its committees. A formal process of reviewing the balance and effectiveness of the Board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required to ensure the Board and its committees remain effective and focused. This includes a regular review of the composition of the Board committees. It also includes assisting the Chairman with the annual evaluation of Board performance. It is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required.

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

(iii) Nominating Committee ("NC") (cont'd.)

Succession planning is a key focus area within the Company. The NC considers the composition of the Board and its committees on an ongoing basis. NC is also responsible in overseeing the appointments and removals, succession planning and performance evaluation of senior management and company secretary of the Company. The Board is satisfied with the execution of the management succession planning framework that seeks to provide a pool of competent candidates to fill key positions in the Company in the medium to long term.

(iv) Remuneration Committee ("RC")

The RC comprises two independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the committee at the 7 committee meetings held during the financial year was as follows:

	Attendance
Chairman:	
Dato' Dr Md Khir bin Abdul Rahman	7/7
Members:	
Prasheem Seebran (appointed on 12 May 2016)	4/4
Kirupalani a/l Chelliah (appointed on 2 December 2016)	1/1
Philippus Rudolph Van Rooijen (resigned on 11 May 2016)	3/3
William Robertson Dommisse (resigned on 12 May 2016)	3/3
Tan Sri Mohamed Al Amin bin Abdul Majid (resigned on 27 October 2016)	1/2
Dato' Balaram a/l Petha Naidu (ceased on 24 November 2016)	5/5

The RC is responsible for developing the remuneration strategy of the Company and presenting it to the Board for approval. Its activities include approving the guidelines and philosophy to be applied in formulating mandates for all bonus and setting remuneration packages of the directors, Chief Executive Officer ("CEO") and senior management, relative to industry benchmarks. The RC has the prerogative to make all remuneration decisions it deems appropriate within an approved framework and may propose amendments to any part of the Company's remuneration policy as necessitated by changing circumstances. To fulfil the role described above, the RC undertakes the following:

(a) develops and recommends to the Board for approval bonus incentive schemes for the Company. It includes the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes to ensure alignment with the Company strategy and shareholder and other stakeholder interests.

Corporate governance disclosures (cont'd.)

Board of Directors (cont'd.)

(iv) Remuneration Committee ("RC") (cont'd.)

(b) develops and recommends to the Board for approval the remuneration strategy as far as the remuneration of Company's directors, CEO and senior management.

(c) review the management of the contracts of employment of Company's directors, CEO and senior management to ensure that their terms are aligned with good practice principles.

(d) develops and recommends to the Board for approval incentive schemes for the directors, CEO and senior management. It includes the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance in support of the Company strategy.

Remuneration policies and practices

Remuneration philosophy

The Company’s remuneration philosophy is to attract and retain qualified employees and achieve high performance through its people by paying fair and competitive remuneration packages consistent with the economic capacity of the Company, and commensurate with those of the industry in which the Company operates. The Company remuneration philosophy aims to:

(i) Pay for performance taking into consideration:

(a) The interest of the Company’s stakeholders;
(b) The performance of the Company as a whole;
(c) The performance of the respective business and support divisions; and
(d) The performance of the individual staff.

(ii) Fair and equitable

The salaries paid to our staff are internally equitable, relative to similar jobs in the Company.

(iii) Competitive

Consideration is also given to remaining market competitive vis-à-vis our chosen comparator group.

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Corporate governance disclosures (cont'd.)

Remuneration policies and practices (cont'd.)

Remuneration governance

Policies related to remuneration for individual contributors and management employees are subject to the Board's approval. This includes remuneration budgets, revision of salary ranges, executive union collective agreement and determining the overall performance bonus pool.

The individual appointments, performance appraisal and remuneration packages of the Executive Management Committee members are also subject to the Board's approval.

Performance metrics

Performance management is used to focus and align the Company, department and individual's performance and behaviour towards the achievement of its short, medium and long term goals and aspirations. The metrics used in performance management are reviewed periodically and seek to provide optimal direct line of sight to longer term aspirations and motivate employees towards the desired outcomes and observed core values.

Employees' performance and remuneration distributions are subject to robust moderation review at the Executive Management Committee to ensure fairness and alignment to Company's performance in terms of financials, growth and risk. The moderation review allows for multiple level input and therefore minimises excesses or biasness in performance and remuneration practices. Particular focus on compliance and risk management is in place and set up to 20% of the total performance requirement for employees.

Key performance metrics are applied as below:

Key performance areas	**Revenue generating employees**	**Support Employees**	**Control Employees**
Sustainable business growth	✓	-	-
Profitability	✓	-	-
Cost management	✓	✓	✓
Operational efficiency & effectiveness	✓	✓	✓
People development	✓	✓	✓
Compliance/Risk Management	✓	✓	✓
Competencies	✓	✓	✓

Corporate governance disclosures (cont'd.)

Remuneration policies and practices (cont'd.)

Remuneration structure

There has been no changes to the remuneration elements or structure during the financial year. The Company does not have deferred remuneration element such as share plan or deferred bonus plan.

Types of remuneration	Fixed	Variable
Basic salary and allowances	✓	-
Cash-based performance bonus	-	✓
Benefits	✓	-

Senior management and other material risk takers

(i) Senior management

Senior management of the Company, which are referred to as Executive Management Committee, is the highest level of management who direct and oversee the day-to-day operations of the Company. They typically are heads of the Company's functional divisions and departments. They possess significant influence over their departments in aligning the direction of the department to the Company.

As at the end of the financial year, senior management comprises nine key personnel who undertook the following roles:

1. Chief Executive Officer
2. Chief Sales and Marketing Officer
3. Chief Operating Officer
4. Chief Investment Officer
5. Chief Financial Officer
6. Chief Risk Officer
7. Chief Human Resource Officer
8. Appointed Actuary
9. Head of Operations

(ii) Other material risk taker

Other material risk taker as defined in the BNM guidelines on Corporate Governance are employees who may or may not be a member of the senior management and:

(a) can materially commit or control significant amounts of the Company’s resources or whose actions are likely to have a significant impact on its risk profile; or

(b) is among the most highly remunerated officers in the Company.

MCIS Insurance Berhad
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Corporate governance disclosures (cont'd.)

Remuneration policies and practices (cont'd.)

Senior management and other material risk takers (cont'd.)

(ii) Other material risk taker (cont'd.)

As at the end of the financial year, other material risk takers comprises four key personnel who undertook the following roles:

1. Chief Internal Auditor
2. Senior Manager of Risk Management
3. Head of Information Solution
4. Head of Pricing and Reinsurance

The total remuneration and number of senior management and other material risk takers received the remuneration during the financial year are as follows:

	Senior management and other material risk takers			CEOs
	Non-deferred RM'000	Deferred RM'000	Number of officers	Non-deferred RM'000
Fixed remuneration				
Cash based	4,890	-	13	1,103
Others	40	-	13	23
Variable remuneration				
Cash based	1,376	-	13	629
Others*	536	-	13	7
	6,842	-		1,762

* Others under variable remuneration include Employees Provident Fund ("EPF") contributed by the Company and other remuneration paid upon resignation of senior management and other material risk takers during the financial year.

There was no deferred remuneration awarded to the senior management or other material risk takers during the financial year.

Key internal control and risk management processes

The key processes that have been put in place to review the adequacy and integrity of the system of internal controls and risk management include the following:

(i) Risk management framework

(a) Overview of risk management framework

Enterprise risks are reviewed holistically at the highest level. The Board, supported by the BRMC, reviews the risk assessments as part of its oversight role. The senior management of the Company conducts regular risk assessments through various internal management committees. The Board approves the risk appetite and tolerance statements that defined the Company willingness and ability to take risks toward achieving its strategic objectives on an annual basis. These statements communicate to the staff the Company's expectations on the level and type of risks that the Company is willing to tolerate in implementing its strategies. The statements takes into consideration the risks involved in the implementation of the strategies, daily operations and pre-emptive appropriate mitigating measures.

The risk management culture is promoted among the Company's staff through targeted risk awareness programmes such as road show, workshops and knowledge sharing sessions.

Additionally, the AC oversees the effectiveness of the Company's overall internal control environment and provides continuous guidance to strengthen the internal audit approach and methodology.

(b) Capital management objectives, policies and approach

The Company’s capital management objective is to ensure its maintains a capital adequacy level that is commensurate with its risk profile at all times via having an effective capital management processes to support business development, at the same time meeting the shareholders’ requirements and stakeholders' expectation.

(c) Governance and regulatory framework

The Company's robust risk governance framework starts from the strong oversight role exercised by the Board. This ensures the integrity and continuity of the Company's operations even under very dynamic and challenging situations.

Corporate governance disclosures (cont'd.)

Key internal control and risk management processes (cont'd.)

(ii) Internal audit function

The internal audit function of Company, which reports to the AC, undertakes independent reviews or assessments of the Company's operations and its system of internal controls and provides monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Company. The internal audit personnel are independent from the day-to-day activities of the Company and have unrestricted access to all activities conducted by the Company.

An annual audit plan is developed based on annual risk assessment and approved by the AC. The audit scope covers auditable areas encompassing financial operations, product development, investments, pricing operations, back office functions, agency operations, regulatory compliance and information technology and systems. The AC conducts annual reviews on the adequacy of the scope of work and resources of Internal Audit. Internal audit reports on the adequacy and effectiveness of risk management and internal control systems instituted within the Company is presented to the AC. The AC also reviews third-party opinions on the design and effectiveness of the Company's internal control framework.

All internal audit reports are submitted to the AC. The AC deliberates on the key audit findings and management actions to address these findings during the AC meetings. Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with the committed timelines. All significant and material findings by internal auditors, external auditors and regulators are reported to AC for review, deliberation and subsequently escalated to the Board. In addition, the AC can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety which have material impact on the Company. Internal audit follows up and monitors the status of actions on recommendations made by Internal audit, the external auditors and regulatory authorities. The internal auditors provide updates to the AC on the progress of the management action plans as well as progress of the audit plan, at each of the committee meetings.

Follow-up audits are performed to monitor continued compliance. All related party transactions as well as audit and non-audit related fees proposed by external auditors or Chief Financial Officer are reviewed by AC.

Directors' report, corporate governance disclosures and financial reports in relation to the preparation of financial statements are reviewed by the AC for accuracy and adequacy of reporting.

MCIS Insurance Berhad
(Incorporated in Malaysia)

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

We, Mr. Kirupalani a/l Chelliah and Mr. Murugiah M N Singham, being two of the directors of MCIS Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 27 to 138 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 Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 16 March 2017.

Mr. Kirupalani a/l Chelliah

Mr. Murugiah M N Singham

Petaling Jaya, Malaysia
16 March 2017

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

I, Mr. Kobus Vlok, being the officer primarily responsible for the financial management of MCIS Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 27 to 138 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 Mr. Kobus Vlok)
at Petaling Jaya in Selangor Darul Ehsan)
on 16 March 2017)

Mr. Kobus Vlok

Before me,

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Independent auditors' report to the members of
MCIS Insurance Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MCIS Insurance Berhad ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 27 to 138.

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

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

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, Corporate Governance disclosures and the Chairman Statement, but does not include the financial statements of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Chairman Statement, which is expected to be made available to us after the date of this auditors' report.

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Independent auditors' report to the members of
MCIS Insurance Berhad (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Chairman Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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Independent auditors' report to the members of
MCIS Insurance Berhad (cont'd.)
(Incorporated in Malaysia)

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

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

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

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

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

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

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

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

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Independent auditors' report to the members of
MCIS Insurance Berhad (cont'd.)
(Incorporated in Malaysia)

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

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/19 J
Chartered Accountant

Kuala Lumpur, Malaysia
16 March 2017

MCIS Insurance Berhad
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2016

	Note	31.12.2016 RM'000	31.12.2015 RM'000 Restated	1.1.2015 RM'000 Restated
Assets				
Property and equipment	3	107,496	128,503	134,491
Investment properties	4	43,975	16,540	16,340
Intangible assets	5	10,234	11,952	13,367
Prepaid land lease payments	6	213	225	237
Investments	7	4,140,541	4,129,178	4,192,252
Reinsurance assets	8	10,015	8,471	2,559
Insurance receivables	9	57,522	56,558	39,599
Other receivables	10	66,863	49,227	46,064
Tax recoverable		7,128	-	-
Cash and bank balances		14,091	46,978	7,424
		4,458,078	4,447,632	4,452,333
Assets classified as held for sale		-	-	429,895
Total assets		4,458,078	4,447,632	4,882,228
Equity				
Share capital	12	100,284	100,284	100,284
Share premium		24,740	24,740	24,740
Retained profits	13	120,876	182,294	274,381
Merger reserves	14	40,672	40,672	40,672
Available-for-sale reserves		6,621	1,749	(755)
Revaluation reserves		6,905	6,905	6,814
		300,098	356,644	446,136
Reserves of a disposal group classified as held for sale		-	-	(3,258)
Total equity		300,098	356,644	442,878
Liabilities				
Insurance contract liabilities	15	3,917,012	3,853,324	3,795,198
Deferred tax liabilities	16	18,444	11,788	14,303
Insurance payables	17	129,592	118,821	88,792
Provision for taxation		-	1,523	17,545
Other payables	18	92,932	105,532	86,654
		4,157,980	4,090,988	4,002,492
Liabilities directly associated with the assets classified as held for sale		-	-	436,858
Total liabilities		4,157,980	4,090,988	4,439,350
Total equity and liabilities		4,458,078	4,447,632	4,882,228

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

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MCIS Insurance Berhad
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000 Restated
<u>Continuing operations:</u>			
Gross earned premiums		564,297	571,109
Earned premiums ceded to reinsurers		(11,086)	(9,130)
Net earned premiums		553,211	561,979
Investment income	19	188,771	188,397
Realised gains and losses	20	29,721	13,167
Fair value gains and losses	21	1,836	(2,258)
Fee and commission income	22	-	206
Other operating revenue	23	867	1,222
Other revenue		221,195	200,734
Gross benefits and claims paid		(521,982)	(484,440)
Claims ceded to reinsurers		4,353	8,506
Gross change in contract liabilities		(32,138)	(80,449)
Change in contract liabilities ceded to reinsurers		1,544	5,912
Net benefits and claims		(548,223)	(550,471)
Fee and commission expenses	24	(82,252)	(81,099)
Other operating expenses	23	(16,686)	(16,089)
Management expenses	25	(85,642)	(80,465)
Taxation of life insurance business	26(a)	(8,237)	(11,420)
Other expenses		(192,817)	(189,073)

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MCIS Insurance Berhad
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2016 (cont'd.)

	Note	2016 RM'000	2015 RM'000 Restated
Continuing operations: (cont'd.)			
Profit before taxation from continuing operations		33,366	23,169
Taxation	26(b)	(4,784)	(5,493)
Net profit for the year from continuing operations		28,582	17,676
Discontinued operations:			
Net profit for the year from discontinued operations	11(a)	-	4,552
Gain on disposal of general insurance business	11(b)	-	35,681
Net profit for the year from discontinued operations		-	40,233
Net profit for the year		28,582	57,909
Earnings per share (sen)			
Basic and diluted	27	28.5	57.7
Earnings per share from continuing operations (sen)			
Basic and diluted	27	28.5	17.6
Earning per share from discontinued operations (sen)			
Basic and diluted	27	-	40.1

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

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MCIS Insurance Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the financial year ended 31 December 2016

	2016 RM'000	2015 RM'000 Restated
Net profit for the year	28,582	57,909
Other comprehensive income:		
Items to be reclassified to the income statement in the subsequent periods:		
Available-for-sale ("AFS") investments reserves:		
Gain/(loss) on fair value changes of AFS investments	1,254	(255)
Realised (gain)/loss transferred to the income statement (Note 20)	(2,277)	499
Impairment loss reclassified to the income statement (Note 23)	7,434	7,408
Deferred tax effects on AFS investments reserves (Note 16)	(1,539)	(1,890)
	4,872	5,762
Items not to be reclassified to the income statement in the subsequent periods:		
Revaluation reserves:		
Reduction in tax rate (Note 16)	-	91
	-	91
Other comprehensive income for the year, net of taxation	4,872	5,853
Comprising of:		
Continuing operations	4,872	2,595
Discontinued operations	-	3,258
	4,872	5,853
Total comprehensive income for the year	33,454	63,762
Comprising of:		
Continuing operations	33,454	20,271
Discontinued operations	-	43,491
	33,454	63,762

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

MCIS Insurance Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2016

	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserves of non-participating funds RM'000	Reserves of disposal group held for sale RM'000	Available-for-sale reserves: Available-for-sale reserves of non-participating funds RM'000	Available-for-sale reserves: Available-for-sale reserves of shareholders' fund RM'000	Available-for-sale reserves: Sub-total RM'000	Retained profits: Unallocated surplus of non-participating funds* RM'000	Retained profits: Retained profits of shareholders' fund RM'000	Retained profits: Sub-total RM'000	Total equity RM'000
		Non-distributable									Distributable		
At 1 January 2015 (As previously stated)		100,284	24,740	40,672	6,814	(3,258)	(5,597)	4,842	(755)	26,075	252,117	278,192	446,689
Adjustments	2.4	-	-	-	-	-	-	-	-	(3,811)	-	(3,811)	(3,811)
At 1 January 2015 (As restated)		100,284	24,740	40,672	6,814	(3,258)	(5,597)	4,842	(755)	22,264	252,117	274,381	442,878
Net profit for the year		-	-	-	-	-	-	-	-	2,354	55,555	57,909	57,909
Other comprehensive income/(loss)		-	-	-	91	-	(369)	6,131	5,762	-	-	-	5,853
Total comprehensive income/(loss) for the year		-	-	-	91	-	(369)	6,131	5,762	2,354	55,555	57,909	63,762
Discontinued operations	11	-	-	-	-	3,258	-	(3,258)	(3,258)	-	-	-	-
Dividends paid during the year	28	-	-	-	-	-	-	-	-	-	(149,996)	(149,996)	(149,996)
At 31 December 2015		100,284	24,740	40,672	6,905	-	(5,966)	7,715	1,749	24,618	157,676	182,294	356,644
At 1 January 2016 (As previously stated)		100,284	24,740	40,672	6,905	-	(5,966)	7,715	1,749	30,267	157,676	187,943	362,293
Adjustments	2.4	-	-	-	-	-	-	-	-	(5,649)	-	(5,649)	(5,649)
At 1 January 2016 (As restated)		100,284	24,740	40,672	6,905	-	(5,966)	7,715	1,749	24,618	157,676	182,294	356,644
Net profit for the year		-	-	-	-	-	-	-	-	9,122	19,460	28,582	28,582
Other comprehensive income		-	-	-	-	-	2,728	2,144	4,872	-	-	-	4,872
Total comprehensive income for the year		-	-	-	-	-	2,728	2,144	4,872	9,122	19,460	28,582	33,454
Dividends paid during the year	28	-	-	-	-	-	-	-	-	-	(90,000)	(90,000)	(90,000)
At 31 December 2016		100,284	24,740	40,672	6,905	-	(3,238)	9,859	6,621	33,740	87,136	120,876	300,098

* The unallocated surplus of the Non-Par funds generated for the financial year ended 31 December 2016 and 31 December 2015 were RM9,122,000 and RM2,354,000, net of tax at 24% and 25%, respectively.

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

MCIS Insurance Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Operating activities			
Cash generated from operating activities	29	190,809	17,362
Income tax paid		(18,843)	(33,768)
Net cash flows from operating activities		171,966	(16,406)
Investing activities			
Proceed from disposal of general insurance business	11	-	42,370
Placement monies in relation to the proceeds from disposal of general insurance business*		13	(8,287)
Purchase of property and equipment	3	(6,864)	(859)
Purchase of intangibles assets	5	(31)	(488)
Net cash flows from investing activities		(6,882)	32,736
Financing activity			
Dividends paid	28	(90,000)	(149,996)
Net cash flows from financing activity		(90,000)	(149,996)
Cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents		75,084	(133,666)
Cash and cash equivalents at beginning of year		168,590	302,256
Cash and cash equivalents at end of year		243,674	168,590
Cash and cash equivalents comprise of:			
Cash and bank balances		14,091	46,978
Less: Cash restricted in use*		(8,274)	(8,287)
		5,817	38,691
Short term deposits with original maturity periods of less than 3 months	7(a)	237,857	129,899
		243,674	168,590

* Cash restricted in use represents placement monies which are encumbered, by virtue of being held to meet any potential indemnity claims in relation to the sale of general insurance business, as disclosed in Note 34(i).

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

1. Corporate information

The Company is principally engaged in the underwriting of life and investment linked insurance. There has been no significant change in the principal activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Wisma MCIS, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan.

The immediate and ultimate holding companies are Sanlam Emerging Markets Proprietary Limited ("SEM") and Sanlam Limited respectively. Both companies are incorporated in South Africa.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 March 2017.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 1965 in Malaysia.

At the beginning of the financial year, the Company had fully adopted the amended MFRSs and improvement to standards as described in Note 2.4(a) to the financial statements.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

As at the reporting date, the Company has met the minimum capital adequacy requirements as prescribed under the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

2.2 Merger reserve

As a result of using merger relief provisions under Section 60(4) of the Companies Act, 1965, a merger reserve is created in place of a share premium account. The goodwill arising on consolidation and any provision for impairment in value of the investment in subsidiary is written-off immediately against the merger reserve at acquisition date. The resulting difference, being a net merger reserve is carried forward as part of shareholders' equity (see Note 14).

2.3 Summary of significant accounting policies

(a) 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 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 the income statement during the financial year in which they are incurred.

Subsequent to initial recognition, property and equipment, except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (cont'd.)

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

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

Land and buildings are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity of at least once in every three years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets are materially different from the fair values. Any increase in the carrying amount arising from the revaluation of land and buildings is credited to an asset revaluation reserve as a revaluation surplus in the insurance contract liabilities of the participating funds or statement of comprehensive income of the non-participating funds, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against previously recognised revaluation surplus in respect of the same asset in the statement of financial position, and any remaining deficit is thereafter recognised in the income statement.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress are also not depreciated until the assets are ready for their intended use. Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 110 years.

Depreciation of other property and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Freehold and leasehold buildings	Over the remaining leasehold period or 50 years which ever is lower
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Office equipment	10%
Computer equipment	20%
Office renovation	20%

2. Significant accounting policies (cont'd.)

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

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

The residual values, useful lives and depreciation method 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 the income statement.

(b) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is reviewed at every reporting date and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties is materially different from the market value.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off 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 retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

2. Significant accounting policies (cont'd.)

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

(c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any 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.

Intangible assets 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 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 licences 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 to ten 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 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 ten years.

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 the income statement when the asset is derecognised.

The carrying amount of 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. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Significant accounting policies (cont'd.)

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

(d) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the group that is a CGU or a group of CGUs;
- Classified as held for sale or distribution or already disposed in such a way; or
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net profit for the year from discontinued operations in the income statement. Additional disclosures are provided in Note 11. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

2. Significant accounting policies (cont'd.)

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

(e) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company, all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property, is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.3(e)(ii)).

(ii) Finance Leases - The Company as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the statement of financial position of the Company and measured in accordance with MFRS 116 - Property, Plant and Equipment and MFRS 140 - Investment Properties.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.3(a).

(iii) Operating Leases - The Company as Lessee

Operating lease payments are recognised as expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd.)

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

(f) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(g) Investments and financial assets

The Company classifies its investments into financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) financial assets, loans and other receivables (“LAR”) and available-for-sale (“AFS”) financial assets.

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.

Financial assets are classified at fair value through profit or loss where the Company documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders’ fund) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits 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.

2. Significant accounting policies (cont'd.)

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

(g) Investments and financial assets (cont'd.)

Financial assets at FVTPL

FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments bought with the intention to sell in the near future are classified as held-for-trading. For investments designated at fair value through profit or loss, the following criteria must be met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

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

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

Investments under unit linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategies and mandates of the funds.

HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Company does not have any financial assets classified as HTM as at 31 December 2016 (2015: Nil).

2. Significant accounting policies (cont'd.)

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

(g) Investments and financial assets (cont'd.)

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. 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 the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are remeasured at fair value.

Any gains or losses from changes in fair value of the financial assets are recognised in the available-for-sale reserve in the statement of comprehensive income or insurance contract liabilities, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

(h) Fair value measurement

The Company measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

2. Significant accounting policies (cont'd.)

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

(h) Fair value measurement (cont'd.)

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments 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.

2. Significant accounting policies (cont'd.)

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

(h) Fair value measurement (cont'd.)

For investments in unit and property trust funds, fair value is determined by reference to published bid values.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by Finance and the Property Department of the Company. Selection criteria include market knowledge, experience, reputation, independence and whether professional standards are maintained. A valuation is done on an annual basis.

At each reporting date, Finance and Property Department analyses the movements in the values of assets which are required to be re-measured or re-assessed in accordance with the Company's accounting policies.

The Property Department and the Company's external valuers also compare the changes in the fair value of each property with relevant external sources to determine whether the changes are reasonable.

The valuation results, as performed by the Company's external valuers, are presented to the Board in the year the valuation is performed.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(i) Impairment of financial instruments, reinsurance assets and insurance receivables

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

The Company first assesses 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 that 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.

2. Significant accounting policies (cont'd.)

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

(i) Impairment of financial instruments, reinsurance assets and insurance receivables (cont'd.)

Assets carried at amortised cost (cont'd.)

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the 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 asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

Assets classified as available-for-sale

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

In respect of equity investments classified as AFS, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for AFS financial assets, the asset is considered for impairment, taking qualitative evidence into account.

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

2. Significant accounting policies (cont'd.)

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

(i) Impairment of financial instruments, reinsurance assets and insurance receivables (cont'd.)

Assets classified as available-for-sale (cont'd.)

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in equity. For AFS debt investments, impairment losses are subsequently reversed in the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(j) Derecognition of financial assets/liabilities and insurance receivables/payables

Financial assets and insurance receivables are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial liabilities and insurance payables are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

(k) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and accounted for in the shareholders' equity as an appropriation of retained profits when they are approved for payment.

Dividends for the year that are approved after the statement of financial position date are dealt with as a non-adjusting event after the reporting date.

2. Significant accounting policies (cont'd.)

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

(l) Contract classification

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

(i) 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. Based on this definition, all policy contracts issued by the Company are insurance contracts as at current reporting date.

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by BNM. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statement.

(ii) Participating life insurance contracts contain discretionary participating feature ("DPF"). This feature entitles the policyholders to receive non-guaranteed benefits which could vary according to the investment and operating results of the Company. The Company does not recognise the guaranteed component separately from the DPF; hence the whole contract is presented within the insurance contract liability in the financial statements.

(iii) The Company is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and policy benefit payments, expenses and valuation of future benefit payments through the income statement.

(iv) The Company does not separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount or for an amount based on fixed amount and an interest rate.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not required to be separated and measured at fair value.

2. Significant accounting policies (cont'd.)

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

(l) Contract classification (cont'd.)

(v) The Company does not adopt a policy of deferring acquisition costs for its life insurance contracts.

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 expired.

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

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

Surpluses in the DPF funds can be distributed on an approximate 90/10 basis in accordance with BNM's guidelines Management of Insurance Funds to the policyholders and the shareholders respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within the insurance liabilities.

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

2. Significant accounting policies (cont'd.)

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

(m) Reinsurance

The Company enters into reinsurance contracts in the normal course of business to diversify the risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance 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 represent balances due from reinsurers. Amounts recoverable under reinsurance contracts are assessed 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 the income statement.

The Company assesses its reinsurance assets for impairment at each reporting period. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.3(i).

The Company also assumes reinsurance risk in the normal course of its general insurance business.

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 contract 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 expired, or when the contract is transferred to another party.

2. Significant accounting policies (cont'd.)

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

(n) Life insurance underwriting results

The surplus transferable from the Life funds to the income statement is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013, by the Company's appointed actuary.

Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First year premium is recognised on inception date and subsequent premiums are recognised on due date.

Premium income of the investment linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Reinsurance premiums

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

Benefits, claims and expenses

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

Benefits and claims, including settlement costs, are accounted for using the case-by-case basis method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on policies with DPF are recognised upon declaration.

2. Significant accounting policies (cont'd.)

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

(n) Life insurance underwriting results (cont'd.)

Benefits, claims and expenses (cont'd.)

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the income statement in the period in which they are incurred.

(o) Insurance receivables and payables

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

If there is objective evidence that an 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 adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(i).

Insurance receivables and payable are derecognised when the derecognition criteria for financial assets and liabilities, as described in Note 2.3(j), have been met.

(p) Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

The valuation of insurance contract liabilities is determined according to the Financial Services Act, 2013, the prevailing RBC Framework and MFRS 4 Insurance Contracts ("MFRS 4"). The liability estimation methods prescribed under the RBC Framework meets the requirements of the Liability Adequacy Test under MFRS 4.

2. Significant accounting policies (cont'd.)

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

(p) Insurance contract liabilities (cont'd.)

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows arising from contracts of insurance underwritten. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

Participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future guaranteed benefits, an appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk discount rate. The participating Life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Provisions for annuity policies are valued using similar basis as participating life contracts.

The liability of non-participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

Provisions for Investment linked insurance contracts is based on the carrying amount of the net assets of the Investment linked funds at the reporting date and the non-unit liability. The non-unit liability of Investment linked policies are valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional financing or capital support at any future time during the duration of the policy.

(q) Other revenue recognition

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

2. Significant accounting policies (cont'd.)

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

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

Rental income

Rental income from property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Interest and profit income

Interest/profit income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest/profit income.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement 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.

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

2. Significant accounting policies (cont'd.)

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

(r) Income tax

Income tax on the income statement 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 or substantively 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 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 tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(s) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. Significant accounting policies (cont'd.)

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

(t) Employee benefits

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. 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. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

(u) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of 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 re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity.

2. Significant accounting policies (cont'd.)

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

(v) Financial liabilities

Financial liabilities are recognised when the Company becomes a party to contractual provisions of the instruments and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(w) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank and deposits held at call with financial institutions with original maturities of three months or less.

(x) Goods and Service Tax ("GST")

GST is a multistage consumption tax on domestic consumption.

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or goods and services is not recoverable from the tax authority, in which case GST is recognised as part of the asset or expense item as applicable. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the statement of financial position.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives

(a) Amended standards and interpretation

The accounting policies and presentation adopted are consistent with those of the previous financial year, except as follows:

On 1 January 2016, the Company adopted the following amendments to MFRSs and improvements to standards mandatory for annual financial periods beginning on or after 1 January 2016:

(i) Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

(ii) Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

(iii) Amendments to MFRS 101: Disclosure Initiatives

(iv) Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Method of Depreciation and Amortisation

(v) Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

(vi) Amendments to MFRS 127: Equity Method in Separate Financial Statements

(vii) MFRS 14: Regulatory Deferral Accounts

(viii) Annual Improvements to MFRSs 2012 – 2014 Cycle

The amendments for item (i), (ii), (v), (vi), (vii) are not applicable to the Company. The application of the amendments for item (iii), (iv) and (viii) has had no material impact on the disclosures or on the amounts recognised in the financial statements.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(b) Reclassification of comparatives to conform with current year presentation and restatement of comparatives

(i) Reclassification of certain liabilities due to policyholders

Certain liabilities due to policyholders were previously included as part of other payables. These liabilities which relates to insurance contracts are retrospectively reclassified from other payables to insurance payables to better reflect the nature of the underlying balances.

(ii) Elimination of interfund investments made by the shareholders' fund in the investment-linked fund

The interfund investments made by the shareholders' fund in the investment-linked funds of the Company were previously presented as part of "Investments" in the statement of financial position of the shareholders' fund and as part of "Insurance contract liabilities" in the life insurance funds.

However, to conform with current year presentation, the interfund investments made by the shareholders fund in the investment-linked fund have been eliminated in presenting the Company's statements of financial position as this is an interfund balance between the shareholders' fund and investment-linked funds.

(iii) Under recognition of insurance contract liabilities

The under recognition of insurance contract liabilities relates to lapse liability provisions which had not been previously made for certain life insurance policies issued by the Company, including the deferred tax effects arising thereon.

The financial effects arising from the restatement of comparatives are as follows:

Statement of financial position
As at 31 December 2015

	As previously stated RM'000	Note 2.4 (b)(i) RM'000	Note 2.4 (b)(ii) RM'000	Note 2.4 (b)(iii) RM'000	As restated RM'000
Assets					
Investments (Note 7)	4,136,680	-	(7,502)	-	4,129,178
Equity					
Retained profits (Note 13)	187,943	-	-	(5,649)	182,294

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(b) Reclassification of comparatives to conform with current period presentation and restatement of comparatives (cont'd.)

Statement of financial position
As at 31 December 2015 (cont'd.)

	As previously reported RM'000	Note 2.4 (b)(i) RM'000	Note 2.4 (b)(ii) RM'000	Note 2.4 (b)(iii) RM'000	As restated RM'000
Liabilities					
Insurance contract liabilities (Note 15)	3,853,393	-	(7,502)	7,433	3,853,324
Deferred tax liabilities (Note 16)	13,572	-	-	(1,784)	11,788
Insurance payables (Note 17)	75,822	42,999	-	-	118,821
Other payables (Note 18)	148,531	(42,999)	-	-	105,532
Statement of financial position As at 1 January 2015					
Assets					
Investments (Note 7)	4,199,713	-	(7,461)	-	4,192,252
Equity					
Retained profits (Note 13)	278,192	-	-	(3,811)	274,381
Liabilities					
Insurance contract liabilities (Note 15)	3,797,578	-	(7,461)	5,081	3,795,198
Deferred tax liabilities (Note 16)	15,573	-	-	(1,270)	14,303
Insurance payables (Note 17)	56,108	32,684	-	-	88,792
Other payables (Note 18)	119,338	(32,684)	-	-	86,654
Income statement For the financial year ended 31 December 2015					
Gross change in contract liabilities	(78,097)	-	-	(2,352)	(80,449)
Taxation (Note 26)	(6,007)	-	-	514	(5,493)

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective

The following are standards, amendments to standards and interpretations to standards issued by MASB, but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations to standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2017
Amendments to MFRS 107 *Disclosures Initiatives*	1 January 2017
Amendments to MFRS 112 *Recognition of Deferred Tax for Unrealised Losses*	1 January 2017
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014-2016 Cycle*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014-2016 Cycle*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

2. Significant accounting policies (cont'd.)

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

The directors expect that the adoption of the above standards, amendments to standards and interpretation to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application, except as discussed below:

MFRS 9 *Financial Instruments*

In July 2014, the MASB issued the final version of MFRS 9 *Financial Instruments* that replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(a) Classification and measurement

The Company expects to have mixed business models. The Company intends to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Company intends to hold debt securities either to collect contractual cash flows and to sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income (“FVOCI”) or at fair value through profit or loss (“FVTPL”) respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure such investments at fair value. Any difference between the previous carrying amount under MFRS 139 and the fair value would be recognised in the opening retained earnings when the Company applies MFRS 9.

2. Significant accounting policies (cont'd.)

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

MFRS 9 *Financial Instruments* (cont'd.)

(a) Classification and measurement (cont'd.)

The Company is currently assessing the impact arising from this change.

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the current accounting standard. The Company is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, trade and other receivables, irrevocable loan commitments which will include loans and debt instruments held by the Company.

The Company expects to apply the simplified approach and record lifetime ECL on all trade and other receivables.

A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

(c) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

(d) Transition

The Company plans to adopt the new standard on the required effective date without restating prior year's information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Company is in the process of assessing the impact of MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

2. Significant accounting policies (cont'd.)

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

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

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

(i) it has not previously applied any version of MFRS 9 before; and

(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

However, the Company intends to adopt MFRS 9 on the required effective date without applying any of the alternative options.

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.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts 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.

2. Significant accounting policies (cont'd.)

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

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

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. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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 Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions

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

(a) Critical judgments made in applying accounting policies

The following are judgments made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Deferred tax assets (Note 16)

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these allowances and provisions can be utilised. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) Income taxes (Note 26)

The Company is subject to income taxes in Malaysia. Significant judgment is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(iii) Property and equipment (Note 3)

Property and equipment requires the review of the residual value and remaining useful life of an item of property and equipment at least at each financial year end.

Management estimates that the residual values and remaining useful lives are appropriate for the current financial year.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(iv) Classification between investment properties and property and equipment (Notes 3 and 4)

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgments whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purpose. If these portions could be sold separately (or leased out separately under finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purpose.

(v) Impairment of receivables (Notes 9 and 10)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting (BNM/RH/STD 032-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets which are individually assessed for impairment are past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement.

(vi) Impairment of AFS financial assets (Note 7)

Significant judgment 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 cost. In addition, the Company evaluates 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 flow.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(vii) Insurance contract classification (Note 15)

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Company is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services.

The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

(viii) Discontinued operations and disposal group classified as held for sale (Note 11)

On 1 December 2014, Fairfax Financial Holdings Limited ("Fairfax") through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad ("Koperasi") to acquire the general insurance ("GI") business of the Company. The transfer of GI business, including relevant GI personnel, was completed on 1 March 2015.

The Board considered the GI business as a disposal group held for sale for the following reasons:

- The GI business is available for immediate sale and/or transfer in its present condition;

- The sale and/or transfer was agreed in the business transfer agreement dated 1 December 2014; and

- The transfer was completed in previous financial year.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(viii) Discontinued operations and disposal group classified as held for sale (Note 11) (cont'd.)

The discontinued operation includes balances and transactions relating to Malaysian Motor Insurance Pool ("MMIP"). The balances and transactions are closely related to the GI business and was therefore reclassified as part of discontinued operations.

For more details on discontinued operations, refer to Note 11.

(b) Key sources of estimation uncertainty and assumptions

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 life insurance contract liabilities (Note 15)

There are several sources of uncertainty that need to be considered in the estimation of the life insurance contract liabilities that the Company will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, discount rates and expenses.

The Company relies on standard industry and insurance mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance contract liabilities. Changes to the insurance contract liabilities during the year are reported in the income statement.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

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

(i) Valuation of life insurance contract liabilities (Note 15) (cont'd.)

Table below provides the key underlying assumptions used for valuation of life insurance contract liabilities:

Valuation method	Description
Discount rates	Participating and annuity funds: The actual zero-coupon spot yields of Malaysian Government Securities (MGS) is used to discount the guaranteed benefit cash flows while the average of the last five years' Company's gross investment returns (net of 8% tax) is used to discount the total benefit cash flows. The gross investment return is capped at 6.25% (2015: 6.50%) for the participating business and 5.50% (2015: 5.75%) for the annuity business. Non-participating and Investment linked funds: The zero-coupon spot yields of MGS at valuation date is used to discount the guaranteed benefit cash flows. Data source: MGS spot yields are obtained from the Bond Pricing Agency Malaysia (BPAM) under http://www.bpam.com.my
Mortality and Morbidity	Best estimates plus provision for adverse deviation Data source: internal experience studies
Lapse and Surrender	Best estimates plus provision for adverse deviation Data source: internal experience studies
Expenses	Best estimates plus provision for adverse deviation Data source: internal experience studies

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

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

(ii) Fair value of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

The valuation techniques described above are calibrated annually.

(iii) Valuation of unitised insurance contract liabilities

Unitised insurance contract fair values are based on the net asset value of the unit linked funds, determined by reference to the values of the assets backing the liabilities.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

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

(iii) Valuation of unitised insurance contract liabilities (cont'd.)

For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with the measurement base applied in the Company's statement of financial position, adjusted to take account the tax effects on unrealised gains or losses of assets in the fund.

(iv) Intangible assets (Note 5 and 25)

Computer applications software

The Company recognises the costs of significant development of knowledge based software and computer applications as intangible assets with finite useful lives. Such software and applications are unique to the requirements of the insurance business and the Company establishes that these development costs will generate economic benefits beyond one year.

The Company estimates the useful lives of these software costs to be between 5 to 10 years.

The Company expects that amortisation on software under development will only commence after the software and computer applications are available to be used and generate future economic benefits.

(v) Income taxes (Note 26)

The Company is subject to income tax and other taxes and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome may not be established until later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate.

Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

3. Property and equipment

31 December 2016	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Work-in progress RM'000	Total RM'000
	<--- At valuation				--->	<--- At cost				--->	
	<--- Properties				--->						
Cost/Valuation											
At 1 January 2016	13,285	43,540	7,913	62,750	800	1,073	11,922	24,901	5,558	479	172,221
Additions	-	-	-	-	-	-	829	2,592	2,469	974	6,864
Revaluation surplus of participating fund (Note 15(ii))	470	75	382	689	-	-	-	-	-	-	1,616
Elimination of accumulated depreciation on revaluation	-	(498)	(242)	(579)	-	-	-	-	-	-	(1,319)
Transfer to investment properties (Note 4)	(1,525)	(15,267)	(1,783)	(6,120)	-	-	-	-	-	-	(24,695)
Write-offs	-	-	-	-	-	-	(1,155)	(538)	(851)	-	(2,544)
At 31 December 2016	12,230	27,850	6,270	56,740	800	1,073	11,596	26,955	7,176	1,453	152,143
Accumulated depreciation											
At 1 January 2016	-	701	699	3,822	38	1,073	10,060	21,864	5,461	-	43,718
Charge for the year	-	690	221	2,074	38	-	366	923	230	-	4,542
Elimination of accumulated depreciation on revaluation	-	(498)	(242)	(579)	-	-	-	-	-	-	(1,319)
Write-offs	-	-	-	-	-	-	(994)	(449)	(851)	-	(2,294)
At 31 December 2016	-	893	678	5,317	76	1,073	9,432	22,338	4,840	-	44,647
Net carrying amount											
At 31 December 2016	12,230	26,957	5,592	51,423	724	-	2,164	4,617	2,336	1,453	107,496

MCIS Insurance Berhad
(Incorporated in Malaysia)

3. Property and equipment (cont'd.)

	At valuation					At cost					
	Properties										
31 December 2015	**Freehold land RM'000**	**Leasehold land 50 years or more RM'000**	**Buildings on freehold land RM'000**	**Buildings on leasehold land 50 years or more RM'000**	**Buildings on leasehold land less than 50 years RM'000**	**Motor vehicles RM'000**	**Furniture, fixtures and fittings RM'000**	**Office and computer equipment RM'000**	**Office renovation RM'000**	**Work-in progress RM'000**	**Total RM'000**
Cost/Valuation											
At 1 January 2015	13,285	43,540	7,913	62,750	800	1,073	11,880	24,933	5,458	-	171,632
Additions	-	-	-	-	-	-	48	232	100	479	859
Write-offs	-	-	-	-	-	-	(6)	(264)	-	-	(270)
At 31 December 2015	13,285	43,540	7,913	62,750	800	1,073	11,922	24,901	5,558	479	172,221
Accumulated depreciation											
At 1 January 2015	-	-	-	-	-	1,059	9,702	20,922	5,458	-	37,141
Charge for the year	-	701	699	3,822	38	14	364	1,205	3	-	6,846
Write-offs	-	-	-	-	-	-	(6)	(263)	-	-	(269)
At 31 December 2015	-	701	699	3,822	38	1,073	10,060	21,864	5,461	-	43,718
Net carrying amount											
At 31 December 2015	13,285	42,839	7,214	58,928	762	-	1,862	3,037	97	479	128,503

3. Property and equipment (cont'd.)

Included in the cost of property and equipment of the Company are cost of fully depreciated assets which are still in use amounting to RM40,453,000 (31.12.2015: RM41,503,000).

Properties

The revalued land and buildings consist of office buildings, shop offices, shop houses and an apartment, which are located in various states in Malaysia.

The fair value of the properties was determined by using sales comparison method, other than fair value of an office building which was determined by using the income capitalisation method. The sales comparison method entails comparing the property with comparable properties which have been sold or are being offered for sale, adjusted for differences in the nature, location, size, condition or other relevant characteristics of the specific property. Under the income capitalisation method, the gross income receivable from the property and the outgoings and expenditures such as repair and maintenance, assessment rates, insurance, etc, are projected in arriving at the estimated net income. The estimated net income is then capitalised by using an appropriate rate of interest (yield) reflecting the security of future income arising from the use of the said property.

The properties' fair values are based on valuations performed by PPC International Sdn. Bhd. and Raine & Horne International Zaki + Partners Sdn. Bhd for different properties. Both companies are registered independent valuers.

The Company has determined that the highest and best use of the properties is their current use.

Reconciliation of Level 3 fair value measurement:

	Apartment RM'000	Shop office/ shop house RM'000	Office building RM'000	Total RM'000
As at 1 January 2015	300	26,188	101,800	128,288
Depreciation recognised in profit or loss under management expenses	(9)	(712)	(4,539)	(5,260)
As at 31 December 2015/ 1 January 2016	291	25,476	97,261	123,028
Revaluation surplus of participating fund recognised in insurance contract liabilities	-	877	739	1,616
Transfer to investment properties	-	(5,028)	(19,667)	(24,695)
Depreciation recognised in profit or loss under management expenses	(9)	(367)	(2,647)	(3,023)
As at 31 December 2016	282	20,958	75,686	96,926

3. Property and equipment (cont'd.)

Properties (cont'd.)

Fair value hierarchy disclosures for the properties have been provided in Note 39.

Description of valuation techniques used and key inputs to valuation of the properties are stated below:

Type of property	Valuation techniques	Key inputs	Range (average)	
Apartment	Comparison method	Price per square foot	Building	RM241
Multi-storey shop office /shop house	Comparison method	Price per square foot	Land Building	RM1,630 RM81
7 ½-storey office building	Comparison method	Price per square foot	Land Building	RM198 RM95
A 10 and 7 storey office buildings	Income capitalisation method	Estimated market rent per square foot per month Vacancy rate Yield or discount rate		RM3.00 - RM5.00 5% 5.5% & 6%

Significant increases/(decreases) in unobservable inputs in isolation would result in a significantly higher/(lower) fair value of the properties.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	31.12.2016 RM'000	31.12.2015 RM'000
Cost	14,005	26,535
Accumulated depreciation	(7,961)	(14,190)
Net carrying amount	6,044	12,345

4. Investment properties

	31.12.2016 RM'000	31.12.2015 RM'000
At 1 January 2016/2015	16,540	16,340
Transfer from property and equipment (Note 3)	24,695	-
Fair value gains (Note 21)	2,740	200
At 31 December 2016/2015	43,975	16,540

The fair value of the investment properties was determined by using sales comparison method, other than fair value of an office building which was determined by using the income capitalisation method. The sales comparison method entails comparing the property with comparable properties which have been sold or are being offered for sale, adjusted for differences in the nature, location, size, condition or other relevant characteristics of the specific property. Under the income capitalisation method, the gross income receivable from the property and the outgoings and expenditures such as repair and maintenance, assessment rates, insurance, etc, are projected in arriving at the estimated net income. The estimated net income is then capitalised by using an appropriate rate of interest (yield) reflecting the security of future income arising from the use of the said property.

The properties' fair values are based on valuations performed by PPC International Sdn. Bhd. and Raine & Horne International Zaki + Partners Sdn. Bhd for different properties. Both companies are registered independent valuers.

The Company has determined that the highest and best use of investment properties is their current use.

Reconciliation of Level 3 fair value measurement:

	Agriculture land RM'000	Shop office/ shop house RM'000	Office building RM'000	Total RM'000
As at 1 January 2015	1,100	6,880	8,360	16,340
Fair value gain recognised in the income statement under fair value gains and losses	-	200	-	200
As at 31 December 2015/ 1 January 2016	1,100	7,080	8,360	16,540
Transfer from property and equipment (Note 3)	-	5,028	19,667	24,695
Fair value gain recognised in the income statement under fair value gains and losses	100	-	2,640	2,740
As at 31 December 2016	1,200	12,108	30,667	43,975

Fair value hierarchy disclosures for investment properties have been provided in Note 39.

4. Investment properties (cont'd.)

Description of valuation techniques used and key inputs to valuation on investment properties are stated below:

Type of property	Valuation technique	Key inputs	Range (average)	
Agriculture land	Comparison method	Price per square foot	Land	RM2.80
Multi-storey shop office /shop house	Comparison method	Price per square foot	Land Building	RM2,741 RM80
8-storey office building	Comparison method	Price per square foot	Land and building	RM338
A 3-storey retail/ office building	Income capitalisation method	Estimated market rent per square foot per month Vacancy rate Yield or discount rate		RM3.50 - RM6.00 10% 6%

Significant increases/(decreases) in unobservable inputs in isolation would result in a significantly higher/(lower) fair value of the properties.

The amount of income and expenses recorded in the income statement in respect of investment properties of the Company are as follows:

	2016 RM'000	2015 RM'000
Rental income from investment properties	525	188
Direct operating expenses (including repairs and maintenance) generating rental income	(295)	(147)
Net income arising from investment properties	230	41

There are no restrictions on the realisability of investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements, other than routine building maintenance.

5. Intangible assets

	31.12.2016 RM'000	31.12.2015 RM'000
Computer software		
Cost		
At 1 January 2016/2015	23,905	23,417
Additions	31	488
Write-offs	(5)	-
At 31 December 2016/2015	23,931	23,905
Accumulated amortisation		
At 1 January 2016/2015	11,953	10,050
Charge for the year	1,749	1,903
Write-offs	(5)	-
At 31 December 2016/2015	13,697	11,953
Net carrying amount		
At 31 December 2016/2015	10,234	11,952

6. Prepaid land lease payments

	Leasehold land less than 50 years RM'000
31 December 2016	
Cost/Valuation	
At 1 January 2016/31 December 2016	350
Accumulated amortisation	
At 1 January 2016	125
Charge for the year	12
At 31 December 2016	137
Net carrying amount	
At 31 December 2016	213
31 December 2015	
Cost/Valuation	
At 1 January 2015/31 December 2015	350
Accumulated amortisation	
At 1 January 2015	113
Charge for the year	12
At 31 December 2015	125
Net carrying amount	
At 31 December 2015	225

7. Investments

	31.12.2016 RM'000	31.12.2015 RM'000 Restated
Malaysian Government securities	1,481,310	1,540,950
Government investment issues	176,616	185,536
Malaysian Government guaranteed bonds	582,115	598,839
Unquoted debt securities	932,486	921,396
Quoted equity securities	251,523	276,471
Quoted exchange traded funds	23,030	20,811
Unquoted equity securities	2,086	4,039
Quoted unit and property trust funds	122,251	109,912
Unquoted unit funds	23,310	19,397
Deposits with financial institutions	238,776	130,799
Loans receivable	307,038	321,028
Total	4,140,541	4,129,178

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

	31.12.2016 RM'000	31.12.2015 RM'000
LAR	545,814	451,827
AFS	3,468,910	3,555,354
FVTPL	125,817	121,997
	4,140,541	4,129,178

(a) LAR

	31.12.2016 RM'000	31.12.2015 RM'000
At amortised cost:		
Deposits with financial institutions	238,776	130,799
Loans receivable:		
Policy loans	304,034	313,095
Mortgage loans	6,306	7,104
Term loan to related party (Note 32(a))	-	4,000
Other loans	535	592
	310,875	324,791
Accumulated impairment loss	(3,837)	(3,763)
	307,038	321,028
	545,814	451,827

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM237,857,000 (31.12.2015: RM129,899,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

7. Investments (cont'd.)

(a) LAR (cont'd.)

The term loan granted to a related party in the previous financial year, was secured by a property of the related party as collateral, repayable over a period of 15 years and bore interest at 5.55% per annum. The term loan had been fully settled during the financial year.

The carrying value of the deposits with financial institutions approximates fair value due to the relatively short term maturities. The carrying value of the policy loans, term loan and other loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of the mortgage loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the mortgage loans were first recognised together with appropriate market credit adjustments. As there are no significant differences between these rates, the carrying value of mortgage loans approximates fair value as at 31 December 2016 and 31 December 2015.

	31.12.2016 RM'000	31.12.2015 RM'000
(b) AFS		
At fair value:		
Malaysian Government securities	1,471,254	1,531,771
Government investment issues	172,457	182,609
Malaysian Government guaranteed bonds	582,115	598,839
Unquoted debt securities	920,039	908,260
Quoted equity securities	202,109	223,018
Quoted unit and property trust funds	118,850	106,818
	3,466,824	3,551,315
At cost less impairment:		
Unquoted equity securities net of impairment loss of RM61,000 (2015: RM3,359,000)	2,086	4,039
	3,468,910	3,555,354
(c) FVTPL		
Financial assets designated upon initial recognition at FVTPL:		
Malaysian Government securities	10,056	9,179
Government investment issues	4,159	2,927
Unquoted debt securities	12,447	13,136
Quoted equity securities	49,414	53,453
Quoted exchange traded funds	23,030	20,811
Quoted unit and property trust funds	3,401	3,094
Unquoted unit funds	23,310	19,397
	125,817	121,997

7. Investments (cont'd.)

(d) Carrying values of financial instruments

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2015	575,860	3,495,295	121,097	4,192,252
Purchases	-	3,832,782	70,999	3,903,781
Disposals	-	(3,749,887)	(67,581)	(3,817,468)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	7,652	-	7,652
Insurance contract liabilities:				
Life funds (Note 15(ii))	-	(24,177)	-	(24,177)
Investment linked funds	-	-	(2,458)	(2,458)
Realised gains/(losses) recorded in the income statement:				
- continuing operations (Note 20)	-	13,227	(60)	13,167
- discontinued operations	-	(2,142)	-	(2,142)
	-	11,085	(60)	11,025
Decrease in loans	(15,469)	-	-	(15,469)
Decrease in deposits with financial institutions	(109,142)	-	-	(109,142)
Write back of impairment loss on loans receivable (Note 37(d))	578	-	-	578
Increase in impairment loss on unquoted equity securities (Note 23)	-	(3,297)	-	(3,297)
Increase in impairment loss on quoted equity securities (Note 23)	-	(7,408)	-	(7,408)
Net amortisation of premiums:				
- continuing operations (Note 19)	-	(6,609)	-	(6,609)
- discontinued operations	-	(82)	-	(82)
	-	(6,691)	-	(6,691)
At 31 December 2015	451,827	3,555,354	121,997	4,129,178

7. Investments (cont'd.)

(d) Carrying values of financial instruments (cont'd.)

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2016	451,827	3,555,354	121,997	4,129,178
Purchases	-	3,321,038	59,217	3,380,255
Disposals	-	(3,459,705)	(55,286)	(3,514,991)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	6,411	-	6,411
Insurance contract liabilities:				
Life funds (Note 15(ii))	-	32,504	-	32,504
Investment linked funds	-	-	(904)	(904)
Realised gains recorded in the income statement (Note 20)	-	28,928	793	29,721
Decrease in loans	(13,916)	-	-	(13,916)
Decrease in deposits with financial institutions	107,977	-	-	107,977
Increase in impairment loss on loans receivable (Note 37(d))	(74)	-	-	(74)
Increase in impairment loss on unquoted equity securities (Note 23)	-	(1,953)	-	(1,953)
Increase in impairment loss on quoted equity securities (Note 23)	-	(7,434)	-	(7,434)
Net amortisation of premiums (Note 19)	-	(6,233)	-	(6,233)
At 31 December 2016	545,814	3,468,910	125,817	4,140,541

7. Investments (cont'd.)

(e) Fair values of financial instruments

The following tables show investments recorded at fair value analysed by the different bases as follows:

	AFS RM'000	FVTPL RM'000	Total RM'000
31 December 2016			
Quoted market bid price	320,959	75,845	396,804
Valuation techniques			
- market observable inputs	3,145,865	49,972	3,195,837
	3,466,824	125,817	3,592,641
31 December 2015			
Quoted market bid price	329,836	77,358	407,194
Valuation techniques			
- market observable inputs	3,221,479	44,639	3,266,118
	3,551,315	121,997	3,673,312

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

For the Company's unquoted equity securities, 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 investment, less impairment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

7. Investments (cont'd.)

(f) Range of effective interest rates

The range of effective interest rates for each class of interest-bearing investment and placements with licensed financial institutions are as below:

	31.12.2016 %	31.12.2015 %
Malaysian Government securities	4.31 - 4.67	2.57 - 4.88
Government investment issues	3.64 - 4.67	3.50 - 4.80
Malaysian Government guaranteed bonds	4.48 - 4.81	4.57 - 5.14
Unquoted debt securities	4.32 - 4.97	4.08 - 12.21
Deposits with financial institutions	0.15 - 4.00	0.15 - 4.50
Loans receivable	4.00 - 8.00	4.00 - 8.00

(g) Interest-bearing contractual re-pricing or maturity dates

The earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions are as below:

	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			
	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2016				
Malaysian Government securities	911	24,318	1,456,081	1,481,310
Government investment issues	-	6,964	169,652	176,616
Malaysian Government guaranteed bonds	-	-	582,115	582,115
Unquoted debt securities	35,385	152,851	744,250	932,486
Deposits with financial institutions	238,776	-	-	238,776
Loans receivable*	508	912	2,864	4,284
	275,580	185,045	2,954,962	3,415,587

7. Investments (cont'd.)

(g) Interest-bearing contractual re-pricing or maturity dates (cont'd.)

	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			
	1 year or less	1 year to 5 years	More than 5 years	Total
31 December 2015				
Malaysian Government securities	2,418	127,320	1,411,212	1,540,950
Government investment issues	-	14,941	170,595	185,536
Malaysian Government guaranteed bonds	-	-	598,839	598,839
Unquoted debt securities	92,489	351,931	476,976	921,396
Deposits with financial institutions	130,799	-	-	130,799
Loans receivable*	363	4,871	3,685	8,919
	226,069	499,063	2,661,307	3,386,439

* The Company's policy loan portfolio of RM302,754,000 (2015: RM312,109,000) (net of impairment loss of RM1,280,000 (2015: RM986,000)) is not included in the above loans receivable as there are no specific maturity dates.

8. Reinsurance assets

	31.12.2016 RM'000	31.12.2015 RM'000
Reinsurance of insurance contracts	10,015	8,471

9. Insurance receivables

	31.12.2016 RM'000	31.12.2015 RM'000
Due premiums including agents/brokers and coinsurers balances	48,998	46,590
Due from reinsurers and cedants	10,820	9,968
	59,818	56,558
Allowance for impairment (Note 23)	(2,296)	-
	57,522	56,558

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

10. Other receivables

	31.12.2016 RM'000	31.12.2015 RM'000
Financial assets:		
Income due and accrued	54,517	47,090
Other receivables	10,753	1,319
	65,270	48,409
Non-financial assets:		
Prepayments	1,593	818
	66,863	49,227

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

11. Discontinued operations and disposal group classified as held for sale

On 1 December 2014, Fairfax Financial Holdings Limited through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad to acquire the general insurance ("GI") business of the Company for a total cash consideration of RM42.8 million. The transfer of GI business, including relevant GI personnel, was completed on 1 March 2015. Consequently, effective from 1 March 2015, the Company is no longer operating a GI business and serves solely as a Life insurance company.

(a) Statement of financial position, income statement and other comprehensive income

As the transfer of the GI business was completed in the previous year, the assets and liabilities of GI business are no longer presented in the statement of financial position as at 31 December 2016 and 31 December 2015.

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

(a) Statement of financial position, income statement and other comprehensive income (cont'd.)

The discontinued operations included balances and transactions relating to the Malaysian Motor Insurance Pool ("MMIP"). These balances and transactions were closely related to the GI business and were therefore reclassified as part of discontinued operations.

The results of the GI business are presented below:

For the two-month period ended 28 February 2015

	MMIP RM'000	Other GI business RM'000	Total RM'000
Gross earned premiums	(638)	27,224	26,586
Earned premiums ceded to reinsurers	(290)	(9,984)	(10,274)
Net earned premiums	(928)	17,240	16,312
Investment income	-	1,681	1,681
Realised gains and losses	-	(2,142)	(2,142)
Fee and commission income	(2)	3,225	3,223
Other operating revenue	-	8	8
Other revenue	(2)	2,772	2,770
Gross benefits and claims paid	173	(13,361)	(13,188)
Claims ceded to reinsurers	-	3,265	3,265
Gross change in contract liabilities	2,678	4,631	7,309
Change in contract liabilities ceded to reinsurers	-	(3,319)	(3,319)
Net benefits and claims	2,851	(8,784)	(5,933)
Fee and commission expenses	42	(2,616)	(2,574)
Management expenses	-	(3,734)	(3,734)
Other operating expenses	(1,180)	(1,867)	(3,047)
Other expenses	(1,138)	(8,217)	(9,355)
Profit before taxation	783	3,011	3,794
Taxation	1,556	(798)	758
Profit for the period	2,339	2,213	4,552

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

(a) Statement of financial position, income statement and other comprehensive income (cont'd.)

For the two-month period ended 28 February 2015 (cont'd.)

Other comprehensive income:

	MMIP RM'000	Other GI business RM'000	Total RM'000
AFS reserves:			
Gain on fair value changes of AFS investments	-	4,574	4,574
Realised gain transferred to the income statement	-	(230)	(230)
Deferred tax relating to components of other comprehensive income	-	(1,086)	(1,086)
Other comprehensive gain for the period, net of tax	-	3,258	3,258

The net cash flows for GI business are as follows:

	01.01.2015 to 28.02.2015 RM'000
Cash flows from:	
Operating activities	54,221
Net increase in cash and bank balances	54,221

(b) Gain on disposal of General insurance business

The cash consideration of RM42.8 million set out in the business transfer agreement was subject to adjustments to be made to the value of the assets and liabilities at the finalisation of transfer. Based on the final completion accounts as at 28 February 2015, the final consideration was adjusted to RM42.4 million, of which RM8.2 million was placed with a bank which is encumbered, by virtue of being held to meet any potential indemnity claims in relation to the sale of general insurance business, as disclosed in Note 34.

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

(b) Gain on disposal of General insurance business (cont'd.)

Analysis of assets and liabilities over which control was transferred:

	RM'000
Assets	
Property and equipment	301
Intangible assets	415
Investments	145,852
Reinsurance assets	142,044
Insurance receivables	27,108
Other receivables	3,437
Cash and bank balances	54,221
Total assets	373,378
Liabilities	
Insurance contract liabilities	331,754
Insurance payables	34,406
Other payables	7,218
Total liabilities	373,378
Net asset disposed of	-

Gain on disposal of GI business

	RM'000
Final consideration	42,370
Net asset disposed of	-
Transaction and incidental costs*	(6,689)
Gain on disposal	35,681

* Excludes transaction and incidental costs of RM742,000 which were incurred and recognised in the six-month period ended 31 December 2014.

The gain on disposal was included in the profit for the year from discontinued operations in the financial year ended 31 December 2015.

12. Share capital

	31.12.2016 No. of shares ('000)	31.12.2016 RM'000	31.12.2015 No. of shares ('000)	31.12.2015 RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At beginning and end of year	200,000	200,000	200,000	200,000
Issued and paid-up:				
Ordinary shares of RM1.00 each				
At beginning and end of year	100,284	100,284	100,284	100,284

13. Retained profits

The non-distributable retained earnings represent the unallocated surplus from the Non Participating funds. In accordance with Section 83 of the Financial Services Act, 2013, the unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier tax system, any dividends distributed by the Company will be exempted from tax in the hands of shareholders. The Company shall not be entitled to deduct tax on dividend paid, credited or distributed to shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target capital level.

14. Merger reserves

In June 2002, the Company acquired the entire equity interest in a subsidiary for a purchase consideration of RM123,349,408 via the issuance of 30,085,221 new ordinary shares of RM1.00 each to the vendors of the subsidiary at an issue price of RM4.10 per ordinary share.

As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, the merger reserve was created in place of a share premium account and this reserve has been utilised to write-off the goodwill arising from the business combination in the Group financial statements and impairment in value of the investment in subsidiary at the effective date of acquisition, in the Company's financial statements.

The merger reserve was arrived at after considering the fair value of the subsidiary acquired, the nominal value of ordinary shares issued as consideration for the acquisition and the write-off of goodwill on consolidation in June 2002 as follows:

	RM'000
Fair value of subsidiary acquired	123,349
Nominal value of shares issued as consideration	(30,085)
Merger reserve on acquisition	93,264
Write-off of goodwill on consolidation	(52,592)
	40,672

The subsidiary had been struck off and dissolved in August 2014.

15. Insurance contract liabilities

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

(i) Life insurance contract liabilities

	<--- 31.12.2016		--->	<--- 31.12.2015		--->
	Gross RM'000	Reinsurance (Note 8) RM'000	Net RM'000	Gross RM'000 Restated	Reinsurance (Note 8) RM'000	Net RM'000 Restated
Provision for benefits and claims	102,950	(2,030)	100,920	80,621	(2,521)	78,100
Actuarial liabilities - Participating fund	2,972,760	(1,284)	2,971,476	2,880,501	(1,208)	2,879,293
Actuarial liabilities - Non participating fund	294,046	(6,701)	287,345	313,499	(4,742)	308,757
	3,266,806	(7,985)	3,258,821	3,194,000	(5,950)	3,188,050
Participating fund unallocated surplus	360,226	-	360,226	427,174	-	427,174
Participating fund AFS reserves	(30,405)	-	(30,405)	(60,751)	-	(60,751)
Participating fund asset revaluation reserves	79,500	-	79,500	78,013	-	78,013
Net asset value ("NAV") attributable to unitholders	137,935	-	137,935	134,267	-	134,267
	3,917,012	(10,015)	3,906,997	3,853,324	(8,471)	3,844,853

15. Insurance contract liabilities (cont'd.)

(ii) Movements of life insurance contract liabilities

31 December 2016	Provision for benefits and claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Non participating fund unallocated surplus RM'000	Participating fund AFS reserves RM'000	Participating fund asset revaluation reserves RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
As at 1 January 2016	80,621	3,194,000	427,174	-	(60,751)	78,013	134,267	3,853,324	(8,471)	3,844,853
Net earned premiums	-	-	392,235	133,037	-	-	27,939	553,211	-	553,211
Other revenue	-	-	186,154	18,854	-	-	3,018	208,026	-	208,026
Net benefits and claims	22,326	-	(410,776)	(106,806)	-	-	(26,726)	(521,982)	4,353	(517,629)
Other expenses	-	-	(120,489)	(56,327)	-	-	(39)	(176,855)	-	(176,855)
Policy movement	-	58,718	(61,745)	3,027	-	-	-	-	-	-
Other movement	3	(3)	-	-	-	-	(283)	(283)	-	(283)
Interest rate	-	38,466	(39,419)	953	-	-	-	-	-	-
Adjustments due to changes in assumptions:										
- Model change	-	(3,945)	4,348	(403)	-	-	-	-	-	-
- Others	-	(20,430)	5,225	21,102	-	-	-	5,897	(5,897)	-
Changes in AFS reserves (Note 7(d))	-	-	-	-	32,504	-	-	32,504	-	32,504
Taxation on AFS reserves (Note 16)	-	-	-	-	(2,158)	-	-	(2,158)	-	(2,158)
Changes in asset revaluation reserves (Note 3)	-	-	-	-	-	1,616	-	1,616	-	1,616
Taxation on asset revaluation reserves (Note 16)	-	-	-	-	-	(129)	-	(129)	-	(129)
Taxation on taxable investment income (Note 40)	-	-	(6,561)	(1,435)	-	-	(241)	(8,237)	-	(8,237)
Participating fund surplus transferred to shareholders' fund (Note 40)	-	-	(15,920)	-	-	-	-	(15,920)	-	(15,920)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund (Note 40)	-	-	-	(12,002)	-	-	-	(12,002)	-	(12,002)
As at 31 December 2016	102,950	3,266,806	360,226	-	(30,405)	79,500	137,935	3,917,012	(10,015)	3,906,997

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15. Insurance contract liabilities (cont'd.)

(ii) Movements of life insurance contract liabilities (cont'd.)

31 December 2015	Provision for benefits and claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Non participating fund unallocated surplus RM'000	Participating fund AFS reserves RM'000	Participating fund asset revaluation reserves RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
As at 1 January 2015	64,489	3,076,625	487,852	-	(38,457)	78,004	126,685	3,795,198	(2,559)	3,792,639
Net earned premiums	-	-	410,295	114,302	-	-	37,382	561,979	-	561,979
Other revenue	-	-	168,735	17,698	-	-	889	187,322	-	187,322
Net benefits and claims	16,132	-	(392,639)	(77,368)	-	-	(30,565)	(484,440)	8,506	(475,934)
Other expenses	-	-	(120,674)	(48,449)	-	-	(43)	(169,166)	-	(169,166)
Policy movement	-	67,908	(55,077)	(12,831)	-	-	-	-	-	-
Other movement	-	-	-	-	-	-	(41)	(41)	-	(41)
Interest rate	-	(11,025)	9,119	1,906	-	-	-	-	-	-
Adjustments due to changes in assumptions:										
- Model change	-	40,031	(39,720)	(311)	-	-	-	-	-	-
- Others	-	20,461	(15,013)	8,970	-	-	-	14,418	(14,418)	-
Changes in AFS reserves (Note 7(d))	-	-	-	-	(24,177)	-	-	(24,177)	-	(24,177)
Taxation on AFS reserves (Note 16)	-	-	-	-	1,883	-	-	1,883	-	1,883
Taxation on asset revaluation reserves (Note 16)	-	-	-	-	-	9	-	9	-	9
Taxation on taxable investment income (Note 40)	-	-	(10,166)	(1,211)	-	-	(40)	(11,417)	-	(11,417)
Participating fund surplus transferred to shareholders' fund (Note 40)	-	-	(15,538)	-	-	-	-	(15,538)	-	(15,538)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund (Note 40)	-	-	-	(2,706)	-	-	-	(2,706)	-	(2,706)
As at 31 December 2015	80,621	3,194,000	427,174	-	(60,751)	78,013	134,267	3,853,324	(8,471)	3,844,853

16. Deferred taxation

	Note	31.12.2016 RM'000	31.12.2015 RM'000 Restated
At 1 January 2016/2015			
- continuing operations		11,788	14,303
- discontinued operations		-	(831)
		11,788	13,472
Recognised in:			
Income statement			
Taxation of life insurance business	26(a)	(353)	(852)
Taxation of the Company	26(b)	3,183	(739)
Other comprehensive income			
- continuing operations		1,539	713
- discontinued operations		-	1,086
		1,539	1,799
Insurance contract liabilities	15(ii)	2,287	(1,892)
At 31 December 2016/2015		18,444	11,788

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

	31.12.2016 RM'000	31.12.2015 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	20,341	16,884
Deferred tax assets	(1,897)	(5,096)
	18,444	11,788

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	Accelerated capital allowances RM'000	Assets revaluation reserves RM'000	Fair value of investments assets RM'000	Unallocated surplus RM'000	Total RM'000
Deferred tax liabilities					
1 January 2015	894	9,063	-	7,421	17,378
Recognised in:					
Income statement	(747)	-	-	353	(394)
Other comprehensive income	-	(91)	-	-	(91)
Insurance contract liabilities	-	(9)	-	-	(9)
At 31 December 2015	147	8,963	-	7,774	16,884
Recognised in:					
Income statement	232	-	-	2,881	3,113
Insurance contract liabilities	-	129	215	-	344
At 31 December 2016	379	9,092	215	10,655	20,341

16. Deferred taxation (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (cont'd.):

	Accretion and amortisation on investment assets RM'000	Fair value of investments assets RM'000	Total RM'000
Deferred tax assets			
At 1 January 2015	(417)	(3,489)	(3,906)
Recognised in:			
Income statement	(1,197)	-	(1,197)
Other comprehensive income	-	1,890	1,890
Insurance contract liabilities	-	(1,883)	(1,883)
At 31 December 2015	(1,614)	(3,482)	(5,096)
Recognised in:			
Income statement	(283)	-	(283)
Other comprehensive income	-	1,539	1,539
Insurance contract liabilities	-	1,943	1,943
At 31 December 2016	(1,897)	-	(1,897)

17. Insurance payables

	31.12.2016 RM'000	31.12.2015 RM'000 Restated
Financial liabilities:		
Due to agents and intermediaries	9,856	13,663
Due to reinsurers and cedants	15,786	10,278
Due to policyholders	84,935	72,359
Payable for agency related expenses	19,015	22,521
	129,592	118,821

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

18. Other payables

	31.12.2016 RM'000	31.12.2015 RM'000 Restated
Financial liabilities:		
Unclaimed monies	13,767	37,658
Other creditors	24,256	20,362
	38,023	58,020
Non-financial liabilities:		
Provision for rental deficiency compensation (i)	39,392	34,792
Accrued expenses	6,153	4,739
Other provisions	9,364	7,981
	54,909	47,512
	92,932	105,532

(i) In March 2014, Bank Negara Malaysia ("BNM") had requested the Company to compensate the participating fund and its policyholders for the deficiency in rental income and unrelated rental expenses that had been historically incurred. The deficiency in rental income is in relation to discounted rental rates charged to tenants of properties held by the participating funds, whereas the unrelated rental expenses incurred are in relation to the cost of leasing space charged to the participating funds which are not directly attributable to the business of the participating funds.

The Company appointed an independent actuary to calculate the appropriate amount of compensation. The final compensation amount, including interest, was RM39,392,000 upon the finalisation of the basis of compensation with BNM.

The compensation to the participating fund and its policyholders is expected to be completed in the next financial year ending 31 December 2017.

The carrying amounts of financial liabilities disclosed above approximate fair value at the reporting date.

19. Investment income

	2016 RM'000	2015 RM'000
Rental income related to properties	3,128	3,527
AFS financial assets:		
Interest income	139,573	139,147
Dividend income:		
- Quoted equity securities	7,005	7,113
- Quoted unit and property trust funds	6,278	6,495
- Unquoted equity securities	194	194
Net amortisation of premiums on investment (Note 7(d))	(6,233)	(6,609)
Financial assets at FVTPL:		
Interest income	1,085	947
Dividend income:		
- Quoted equity securities	1,497	1,838
- Quoted exchange traded funds	855	1,100
- Quoted unit and property trust funds	192	195
- Unquoted unit funds	170	104
LAR interest income	39,301	38,556
Cash and bank balances interest income	223	288
Other investment income	247	208
Gross investment income	193,515	193,103
Less: Investment expenses	(4,744)	(4,706)
	188,771	188,397

20. Realised gains and losses

	2016 RM'000	2015 RM'000
AFS financial assets:		
Realised gains:		
Quoted equity securities	2,788	1,065
Unquoted debt securities	27,849	20,018
Realised losses:		
Unquoted debt securities	(1,709)	(7,856)
Total realised gains for AFS financial assets	28,928	13,227
FVTPL:		
Realised gains:		
Quoted equity securities	46	2,590
Unquoted debt securities	747	396
Realised losses:		
Quoted equity securities	-	(3,024)
Unquoted debt securities	-	(22)
	793	(60)
	29,721	13,167

20. Realised gains and losses (cont'd.)

Total realised gains of AFS financial assets transferred from other comprehensive income amounts to RM2,277,000 (2015: losses of RM499,000).

21. Fair value gains and losses

	2016 RM'000	2015 RM'000
Investment properties	2,740	200
Quoted equity securities	(3,810)	(3,437)
Quoted unit and property trust funds	307	4
Quoted exchange traded funds	532	157
Unquoted debts securities	154	(29)
Unquoted unit funds	1,913	847
	1,836	(2,258)

22. Fee and commission income

	2016 RM'000	2015 RM'000
Reinsurance commission income	-	206

23. Net other operating revenue/(expenses)

	2016 RM'000	2015 RM'000
Other operating revenue:		
Other miscellaneous income	821	644
Write back of impairment loss on loans receivable	-	578
Write back of mortgage loans and other loans	46	-
	867	1,222

23. Net other operating revenue/(expenses) (cont'd.)

	2016 RM'000	2015 RM'000
Other operating expenses:		
Provision for compensation to participating funds (Note 18(i))	(4,600)	-
AFS financial assets:		
Impairment loss on quoted equity securities	(7,434)	(7,408)
Impairment loss on unquoted equity securities	(1,953)	(3,297)
Impairment loss on premium receivables	(2,296)	-
Impairment loss on loans receivables	(74)	-
Agency special benefit	-	(2,000)
Mortgage loans and other loans written off	-	(45)
Property and equipment written-off	(250)	(1)
Other miscellaneous expenses	(79)	(3,338)
	(16,686)	(16,089)

24. Fee and commission expenses

	2016 RM'000	2015 RM'000
Agency commission expenses	82,252	81,099

25. Management expenses

	Note	2016 RM'000	2015 RM'000
Employee benefits expenses	(a)	41,734	39,600
Directors' remuneration	(b)	1,216	1,042
Auditors' remuneration:			
- statutory audits		348	374
- regulatory related services		101	78
- other services		46	106
Office rental		2,079	1,627
Equipment rental		265	174
Depreciation of property and equipment	3	4,542	6,846
Amortisation of intangible assets	5	1,749	1,903
Amortisation of prepaid land lease payments	6	12	12
Entertainment		185	129
Electronic data processing expenses		4,791	5,165
Advertising and promotion		1,620	966
Repair and maintenance		1,508	1,886
Agency training		1,091	779
Printing and stationery		2,201	1,418
Electricity and water		1,484	1,640
Telephone and postages		1,000	1,260
Consultancy and legal fees		4,908	2,515
Finance charges		4,518	4,071
Other expenses		10,244	8,874
		85,642	80,465

25. Management expenses (cont'd.)

(a) Employee benefits expenses

	2016 RM'000	2015 RM'000
Wages and salaries	26,891	27,557
Social security contributions	225	212
Contributions to defined contribution plan, EPF	3,719	3,588
Other benefits	10,899	8,243
	41,734	39,600

(b) Directors' remuneration

The details of directors' remuneration for the financial year are as follows:

	2016 RM'000	2015 RM'000
Fees	403	361
Allowances and other emoluments	813	681
	1,216	1,042

Directors' fees

	Relating to period 2016 RM'000	2015 RM'000
Non-executive directors:		
Kirupalani a/l Chelliah	45	42
Dato' Hj Mustapha @ Mustapa bin Md Nasir	42	42
Murugiah M N Singham	42	42
Dato' Dr Md Khir bin Abdul Rahman	42	42
William Robertson Dommisse*	42	21
Mohammad Nizar bin Idris	33	-
Datin Sunita Mei-Lin Rajakumar	32	-
Prasheem Seebran*	27	-
Cornelius Karel Foord*	10	42
Philippus Rudolph Van Rooijen*	15	42
Tan Sri Mohamed Al Amin bin Abdul Majid	35	46
Dato' Balaram a/l Petha Naidu	38	42
	(i) 403	(ii) 361

25. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

(i) Relating to directors' fees accrued for the financial year ended 31 December 2016 to be proposed at the upcoming Annual General Meeting ("AGM").

(ii) Relating to directors' fees accrued for the financial year ended 31 December 2015 approved at the AGM held in May 2016 and paid during the year ended 31 December 2016.

	2016 RM'000	2015 RM'000
Directors' allowances and other emoluments		
Kirupalani a/l Chelliah	169	78
Dato' Hj Mustapha @ Mustapa bin Md Nasir	77	71
Murugiah M N Singham	81	73
Dato' Dr Md Khir bin Abdul Rahman	76	68
William Robertson Dommisse*	70	42
Mohammad Nizar bin Idris	50	-
Datin Sunita Mei-Lin Rajakumar	50	-
Prasheem Seebran*	46	-
Cornelius Karel Foord*	19	66
Philippus Rudolph Van Rooijen*	25	57
Tan Sri Mohamed Al Amin bin Abdul Majid	78	155
Dato' Balaram a/l Petha Naidu	72	71
	813	681

* Fees and allowances for the Directors are paid to SEM (Note 32(a)(iii)).

The number of directors of the Company whose remuneration during the financial year fell within the following bands is analysed below:

	Number of directors 2016	Number of directors 2015
Below RM50,000	2	-
RM50,001 - RM100,000	3	2
RM100,001 - RM150,000	6	6
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	1	1

(c) CEO's remuneration

The remuneration including benefit-in-kind, attributable to the CEO of the Company during the financial year amounted to RM1,762,000 (2015: RM1,187,000). The details of the remuneration have been provided in Note 32(b).

26. Taxation

	Note	2016 RM'000	2015 RM'000 Restated
Taxation of life insurance business	(a)	8,237	11,420
Taxation of the Company:			
- continuing operations		4,784	5,493
- discontinued operations		-	(758)
	(b)	4,784	4,735
		13,021	16,155

(a) Taxation of life insurance business

	2016 RM'000	2015 RM'000
Tax expenses/(income):		
Current tax	8,590	12,272
Deferred tax	(353)	(852)
	8,237	11,420
Current income tax:		
Malaysian income tax	13,322	12,272
Over provision of income tax expense in prior years	(4,732)	-
	8,590	12,272
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 16)	(353)	(852)
	8,237	11,420

The income tax for the life insurance business is calculated based on the tax rate of 8% (2015: 8%) of the assessable investment income for the financial year. The taxes of the respective funds are disclosed in Note 40 - Insurance Funds.

26. Taxation (cont'd.)

(b) Taxation of the Company

	2016 RM'000	2015 RM'000
Tax expenses:		
Current tax	1,601	5,474
Deferred tax	3,183	(739)
	4,784	4,735
Current income tax:		
Malaysian income tax	4,374	5,474
Over provision of income tax expense in prior years	(2,773)	-
	1,601	5,474
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 16)	3,183	(739)
	4,784	4,735

The income tax for the Company is calculated based on the tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

(c) Reconciliation of income tax expense

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

	2016 RM'000	2015 RM'000
Profit before taxation:		
Continuing operations	33,366	23,169
Discontinued operations	-	39,475
	33,366	62,644
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	8,008	15,661
Utilisation of Section 110B credit	(1,274)	(1,149)
Additional tax deduction in respect of contribution to MMIP*	-	(1,753)
Expenses not deductible for tax purposes	978	998
Income not taxable for tax purposes	(155)	(9,022)
Over provision of income tax expense in prior years	(2,773)	-
Tax expense for the year	4,784	4,735

* In accordance with the P.U.(A) 419 Income Tax (Deduction for Contribution by Licensed Insurers to the Malaysian Motor Insurance Pool) Rule 2012, cash contributions made to MMIP via cash calls is allowed for as a deduction in the year when such cash is paid to the MMIP. The Company has recognised this benefit as an additional tax deduction in the previous year.

27. Earnings per share

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

	2016	2015
Profit attributable to ordinary equity holders:		
Continuing operations (RM'000)	28,582	17,676
Discontinued operations (RM'000)	-	40,233
	28,582	57,909
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share:		
Continuing operations (sen)	28.5	17.6
Discontinued operations (sen)	-	40.1
	28.5	57.7

There were no dilutive potential ordinary shares as at the reporting date.

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

28. Dividends

	Amount		Net dividend per share	
	2016	2015	2016	2015
	RM'000	RM'000	Sen	Sen
Approved and paid:				
Dividend paid in respect of the financial period ended 31 December 2014:				
Final single tier dividend of 149.57% paid on 24 June 2015	-	149,996	-	149.57
Dividend paid in respect of the financial year ended 31 December 2015:				
Final single tier dividend of 89.75% paid on 24 June 2016	90,000	-	89.75	-
	90,000	149,996	89.75	149.57

29. Cash flows

	Note	2016 RM'000	2015 RM'000 Restated
Profit before taxation:			
Continuing operations		33,366	23,169
Discontinued operations	11	-	39,475
		33,366	62,644
Taxation of life insurance business	26(a)	8,237	11,420
Investment income		(188,771)	(188,397)
Realised gains recorded in income statement	7(d)	(29,721)	(11,025)
Purchases of AFS investments	7(d)	(3,321,038)	(3,832,823)
Purchases of FVTPL financial assets	7(d)	(59,217)	(70,999)
Proceeds from sale of AFS investments	7(d)	3,459,705	3,749,887
Proceeds from sale of FVTPL financial assets	7(d)	55,286	67,581
Decrease/(Increase) in LAR		13,898	(40,322)
Investment income received		181,344	183,705
Non-cash items:			
Gain on disposal of general insurance business	11(b)	-	(35,681)
Depreciation of property and equipment	3	4,542	6,846
Amortisation of intangible assets	5	1,749	1,903
Amortisation of prepaid land lease payments	6	12	12
Property and equipment written-off	23	250	1
Fair value gain on investment properties	4	(2,740)	(200)
Net amortisation of investments	19	6,233	6,691
Impairment loss/(write-back) on:			
- AFS investments	7(d)	9,387	10,705
- Loans receivable	7(d)	74	(578)
Changes in working capital:			
(Increase)/decrease in assets:			
Reinsurance assets		(1,544)	(5,912)
Insurance receivables		(964)	(16,959)
Other receivables		(10,209)	1,529
Increase/(decrease) in liabilities:			
Insurance contract liabilities		32,759	82,911
Insurance payables		10,771	30,029
Other payables		(12,600)	4,394
Cash generated from operating activities		190,809	17,362

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

30. Operating lease arrangements

(a) The Company as lessee

The Company has entered into various lease agreements for rental of equipment, software and services and office premises.

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

Future minimum rental payments:

	31.12.2016 RM'000	31.12.2015 RM'000
Rental of equipment, software and services:		
Payable within one year	126	163
Payable after one year	88	231
	214	394
Rental of office premises:		
Payable within one year	621	764
Payable after one year	115	546
	736	1,310

(b) The Company as lessor

The Company has entered into non-cancellable operating lease arrangements on its portfolio of properties. The leases have remaining non-cancellable lease terms of between 1 and 9 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	31.12.2016 RM'000	31.12.2015 RM'000
Receivable within one year	2,126	1,484
Receivable after one year	4,988	3,925
	7,114	5,409

31. Capital commitments

The commitments of the Company as at the reporting date are as follows:

	31.12.2016 RM'000	31.12.2015 RM'000
Approved and contracted for:		
Intangible assets	4,227	240
Approved but not contracted for:		
Property and equipment	4,051	6,808
Intangible assets	3,897	2,319
	7,947	9,127

32. Significant related party disclosures

(a) Related parties

The related parties and their relationship with the Company as at 31 December 2016 are as follows:

Name	Relationship
SEM	Immediate holding company
Koperasi MCIS Berhad	Corporate shareholder
Sanlam Life Insurance Limited	Related company of SEM
National Land Finance Co-operative Society Limited	A Co-operative in which Dato' Balaram a/l Petha Naidu (former director) was also a director
Medscheme International Limited	Associate of SEM

The Directors are of the opinion that the related party transactions were carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

	2016 RM'000	2015 RM'000
Transactions with related parties:		
(i) Interest income received from:		
National Land Finance Co-operative Society Limited	120	250
(ii) Rental income received from:		
Koperasi MCIS Berhad	391	364
(iii) Directors' fees and allowances to:		
SEM	254	270

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

(a) Related parties (cont'd.)

	2016 RM'000	2015 RM'000
Transactions with related parties: (cont'd.)		
(iv) Reimbursable costs to:		
Sanlam Life Insurance Limited	243	273
Medscheme International Limited	81	-
	324	273
(v) Sponsor for corporate social responsibility activities:		
Koperasi MCIS Berhad	30	25

Balances with related parties:

	31.12.2016 RM'000	31.12.2015 RM'000
(i) Term loan granted to (Note 7(a)):		
National Land Finance Co-operative Society Limited	-	4,000
(ii) Directors' fees and allowances to:		
SEM	94	213
(iii) Reimbursement costs to:		
Sanlam Life Insurance Limited	70	93

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. In line with this classification, the key management personnel of the Company includes directors and the CEO.

The remuneration of key management personnel during the year was as follows:

	2016 RM'000	2015 RM'000
Directors' remuneration:		
Directors' fees	403	361
Directors' allowances and other emoluments	813	681
	1,216	1,042
CEO's remuneration:		
Salary	1,103	899
Bonus	195	192
Ex-gratia for outgoing CEO	274	-
Gratuity	160	70
Benefits-in-kind	30	26
	1,762	1,187

33. Regulatory capital requirement

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

	31.12.2016 RM'000	31.12.2015 RM'000
Tier 1 capital		
Share capital (paid-up)	100,284	100,284
Reserves, including retained earnings	1,059,933	1,144,858
	1,160,218	1,245,142
Tier 2 capital		
Eligible reserves	53,531	18,399
Deduction: Intangible assets, deferred tax assets and cash restricted in use	(21,758)	(25,990)
Total capital available as at 31 December	1,191,991	1,237,551

34. Contingent liabilities

(i) Under the terms of business transfer agreement (see Note 11), in the event that the cumulative claims amounts paid by Pacific Insurance over a 5-year period in relation to loss events that occurred prior to the transfer date (i.e. 1 March 2015) in respect of policies transferred exceeds the net claims liability reserves of the GI business transferred to Pacific Insurance ("the Excess"), the placement monies will be used to indemnify Pacific Insurance on the Excess. Should the placement monies of RM8.3 million (31.12.2015: RM8.3 million) as disclosed in statement of cash flows (i.e. "cash restricted in use") be insufficient to pay the Excess, the Company shall pay Pacific Insurance the Excess over and above the placement monies amount provided always that the total indemnity for the Excess shall not exceed RM16.3 million. As at 31 December 2016, the cumulative claims amounts in relation to loss events that occurred prior to the transfer date were within the net claims liability reserves transferred, hence no provision is necessary.

(ii) In March 2015, the Company instituted legal proceedings against a former tenant of one of the Company's properties to seek recovery of outstanding rentals, utilities charges, reinstatement costs and corresponding late payment charges. In accordance with the Company's accounting policy, these outstanding sums are fully impaired in the 30 June 2015 financial statements. In response to these proceedings, the former tenant filed a counter-claim against the Company for loss of branding and goodwill, amongst others. In November 2016, the Court ruled in favor of the Company and dismissed the former tenant's counter-claim suit. The former tenant filed an appeal against the Court's decision. Meanwhile, the Company has proceeded to file a winding-up petition against the former tenant in February 2017.

35. Financial instruments by category

	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
31 December 2016						
Assets						
Property and equipment	-	-	-	-	107,496	107,496
Investment properties	-	-	-	-	43,975	43,975
Intangible assets	-	-	-	-	10,234	10,234
Prepaid land lease payments	-	-	-	-	213	213
Investments	125,817	3,468,910	545,814	4,140,541	-	4,140,541
Reinsurance assets	-	-	-	-	10,015	10,015
Insurance receivables	-	-	57,522	57,522	-	57,522
Other receivables	-	-	65,270	65,270	1,593	66,863
Tax recoverable	-	-	-	-	7,128	7,128
Cash and bank balances	-	-	14,091	14,091	-	14,091
Total assets	125,817	3,468,910	682,697	4,277,424	180,654	4,458,078

	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Insurance contract liabilities	-	-	-	3,917,012	3,917,012
Deferred tax liabilities	-	-	-	18,444	18,444
Insurance payables	-	-	-	129,592	129,592
Other payables	-	38,023	38,023	54,909	92,932
Total liabilities	-	38,023	38,023	4,119,957	4,157,980

35. Financial instruments by category (cont'd.)

	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
31 December 2015						
Assets						
Property and equipment	-	-	-	-	128,503	128,503
Investment properties	-	-	-	-	16,540	16,540
Intangible assets	-	-	-	-	11,952	11,952
Prepaid land lease payments	-	-	-	-	225	225
Investments	121,997	3,555,354	451,827	4,129,178	-	4,129,178
Reinsurance assets	-	-	-	-	8,471	8,471
Insurance receivables	-	-	56,558	56,558	-	56,558
Other receivables	-	-	48,409	48,409	818	49,227
Cash and bank balances	-	-	46,978	46,978	-	46,978
Total assets	121,997	3,555,354	603,772	4,281,123	166,509	4,447,632

	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Insurance contract liabilities	-	-	-	3,853,324	3,853,324
Deferred tax liabilities	-	-	-	11,788	11,788
Insurance payables	-	-	-	118,821	118,821
Provision for taxation	-	-	-	1,523	1,523
Other payables	-	58,020	58,020	47,512	105,532
Total liabilities	-	58,020	58,020	4,032,968	4,090,988

36. Insurance risk

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

The Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing insurance protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill health), longevity (annuity), product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer risks in excess of the Company's risk appetite, appropriate actuarial methodologies/techniques for reserving as well as other risk mitigating measures.

Persistency (or lapsation) risk is managed through monitoring of experience. Where possible, the potential financial impact of lapses is reduced by persistency management, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products may lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through complete product development processes, financial analysis and pricing.

The table below shows the concentration of life insurance contract liabilities by type of contract as at the reporting date:

Life insurance contract liabilities	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
31 December 2016			
Whole life	573,969	(358)	573,611
Endowment	2,027,444	(360)	2,027,084
Term assurance	143,488	(5,223)	138,265
Medical and Health	4,118	-	4,118
Annuity	478,177	-	478,177
Others	689,816	(4,074)	685,742
	3,917,012	(10,015)	3,906,997

36. Insurance risk (cont'd.)

Life insurance contract liabilities (cont'd.)

	Gross RM'000	Reinsurance RM'000	Net RM'000
31 December 2015			
Whole life	676,508	(96)	676,412
Endowment	2,309,628	(268)	2,309,360
Term assurance	188,589	(2,075)	186,514
Medical and Health	2,780	-	2,780
Annuity	528,819	-	528,819
Others	147,000	(6,032)	140,968
	3,853,324	(8,471)	3,844,853

Key assumptions

Material judgment is required in the choice of assumptions to determine the value of life insurance liabilities. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The sensitivity analysis below shows the impact of changes in key assumptions on the value of life insurance liabilities. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on liabilities. The correlation of assumptions will have a significant effect in determining the liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

There are no material change to the methods used to derive assumptions from the previous year.

36. Insurance risk (cont'd.)

Key assumptions (cont'd.)

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit after taxation 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. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2016					
Fund yield (par fund)	+1%	(271,534)	(271,534)	-	-
Risk free yield	+1%	(17,391)	(17,391)	(17,391)	(13,217)
Mortality and morbidity	+25%	35,678	35,678	39,116	29,728
Lapse and surrenders	+25%	(41,705)	(41,705)	444	337
Expenses	+25%	39,089	39,089	8,468	6,436
31 December 2015					
Fund yield (par fund)	+1%	(252,490)	(252,490)	-	-
Risk free yield	+1%	(16,575)	(16,575)	(16,575)	(12,431)
Mortality and morbidity	+25%	31,958	31,958	32,323	24,242
Lapse and surrenders	+25%	(42,633)	(42,633)	(212)	(159)
Expenses	+25%	40,366	40,366	8,562	6,422

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

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

37. Financial risk

Market and credit risk

Market risk is the risk of asset or liability values being adversely affected by movement in the market prices or rates. This includes currency risk, interest rate risk and market price risk.

The Company manages market risk by setting polices on asset allocation, investment limits and diversification benchmarks. The Company adopts the asset liability matching criteria to minimize the impact of mismatches between the values of assets and liabilities from market movements.

Exposure to fixed income securities provides the Company's largest market risk exposure. The Company monitors its exposure levels through regular stress/sensitivity testing and constant market supervision of the asset prices. The Company has not transacted in any derivatives.

(a) Interest rate risk

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

Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed rate instrument expose the Company to fair value interest rate risk. The Company's exposure to interest rate risk arises primarily from investment in fixed income securities and deposits with licensed institutions.

The carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk is as disclosed in Note 7(g).

Sensitivity analysis:

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of floating rate financial assets and liabilities) and equity (that reflects adjustments to profit after taxation and revaluing fixed rate available–for–sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

37. Financial risk (cont'd.)

Market and credit risk (cont'd.)

(a) Interest rate risk (cont'd.)

	<--------------- Increase/(Decrease)	----------->	
	Changes in basis points	**Impact on profit before taxation RM'000**	**Impact on equity* RM'000**
31 December 2016			
Interest rates	+ 100 bps	(1,936)	(20,140)
Interest rates	- 100 bps	2,184	22,765
31 December 2015			
Interest rates	+ 100 bps	(1,911)	(20,576)
Interest rates	- 100 bps	2,126	22,954

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

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

The impact from change in interest rate to the insurance contract liabilities have been disclosed in Note 36.

(b) Currency risk

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM) with minimal exposure to foreign currency risks.

(c) Equity price risk

Equity price risk is the risk that the fair value of equity assets will be adversely affected by movement in market prices (other than those arising from interest risk or currency risk), 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.

37. Financial risk (cont'd.)

Market and credit risk (cont'd.)

(c) Equity price risk (cont'd.)

The Company’s exposure to equity price risk arises from its investment in quoted equities traded in the Bursa Malaysia. The Company manages its exposure to equity price risk by setting policies and investment parameters governing asset allocation and investments limits, having regard to such limits stipulated by BNM as well as specific assessment for equity investments falling below 30% of its average historical cost or a prolonged decline in value for 12 consecutive months.

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the income statements) and equity (that reflects adjustments to profit after taxation and changes in fair value of available–for–sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

	<------------- Increase/(Decrease) ----------->		
	Changes in FBMKLCI %	**Impact on profit before taxation RM'000**	**Impact on equity* RM'000**
31 December 2016			
Market indices:			
Market value	+10%	7,458	4,922
Market value	-10%	(7,458)	(4,922)
31 December 2015			
Market indices:			
Market value	+10%	7,446	4,740
Market value	-10%	(7,446)	(4,740)

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

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

37. Financial risk (cont'd.)

(d) Credit risk

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

The Company's primary exposure to credit risk arises through its investment in fixed income securities and deposits, obligations of reinsurers through reinsurance contracts and receivables from sales of insurance policies. The Company has in place a credit control policy and investment policy to manage its credit risk.

The Company manages the exposure to individual counterparties pertaining to its investment in fixed income securities, by measuring the exposure against internal limits, taking into consideration the credit ratings issued by the authorized rating

The Company actively monitors and considers the risk of a fall in value of the fixed income securities from changes in the credit worthiness of the issuer by managing individual exposures as well as the concentration of credit risks in its fixed income portfolio through asset allocation, observing minimum credit rating requirements, maximum limits for corporate debt, maximum duration as well as setting maximum permitted exposures to individual counterparties or group of counterparties.

Cash and deposits are placed with financial institutions licensed under the Financial Services Act, 2013 which are regulated by BNM, guided by the Company's approved exposure limits and minimum credit rating requirements.

Reinsurance arrangements are only placed with providers who meet the Company's counterparty credit standards and satisfy the minimum credit rating requirements of the Company. The Company reviews the credit condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company cedes business to reinsurers that satisfy the minimum credit rating requirements of the Company.

In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

37. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the amount of each class of financial assets recognised in the statement of financial position as shown in the table below:

	31.12.2016 RM'000	31.12.2015 RM'000
LAR		
Deposits with financial institutions	238,776	130,799
Loans receivables	307,038	321,028
AFS		
Malaysian Government securities	1,471,254	1,531,771
Government investment issues	172,457	182,609
Malaysian Government guaranteed bonds	582,115	598,839
Unquoted debt securities	920,039	908,260
FVTPL		
Malaysian Government securities	10,056	9,179
Government investment issues	4,159	2,927
Unquoted debt securities	12,447	13,136
Reinsurance assets	10,015	8,471
Insurance receivables	57,522	56,558
Other receivables	65,270	48,409
Cash and bank balances	14,091	46,978
Total credit risk exposure	3,865,239	3,858,964

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia, Malaysian Rating Corporation Berhad, A.M. Best Company and Standards and Poor's credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

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37. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure (cont'd.)

Credit exposure by credit rating (cont'd.)

31 December 2016	Neither past-due nor impaired Investment grade (BBB to AAA) RM'000	Non-investment grade (C to BB) RM'000	Not-rated RM'000	Unit linked RM'000	Past-due but not impaired RM'000	Total RM'000
LAR						
Deposits with financial institutions	218,174	-	-	20,602	-	238,776
Loans	-	-	307,038	-	-	307,038
AFS						
Malaysian Government securities	-	-	1,471,254	-	-	1,471,254
Government investment issues	-	-	172,457	-	-	172,457
Malaysian Government guaranteed bonds	-	-	582,115	-	-	582,115
Unquoted debt securities	920,039	-	-	-	-	920,039
FVTPL						
Malaysian Government securities	-	-	-	10,056	-	10,056
Government investment issues	-	-	-	4,159	-	4,159
Unquoted debt securities	-	-	-	12,447	-	12,447
Reinsurance assets	-	-	10,015	-	-	10,015
Insurance receivables	55,625	-	1,897	-	-	57,522
Other receivables	53,329	-	11,650	291	-	65,270
Cash and bank balances	13,840	-	-	251	-	14,091
Total credit risk exposure	1,261,007	-	2,556,426	47,806	-	3,865,239

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37. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither past-due nor impaired					
31 December 2015	**Investment grade (BBB to AAA) RM'000**	**Non-investment grade (C to BB) RM'000**	**Not-rated RM'000**	**Unit linked RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
LAR						
Deposits with financial institutions	115,314	-	-	15,485	-	130,799
Loans	-	-	321,028	-	-	321,028
AFS						
Malaysian Government securities	-	-	1,531,771	-	-	1,531,771
Government investment issues	-	-	182,609	-	-	182,609
Malaysian Government guaranteed bonds	-	-	598,839	-	-	598,839
Unquoted debt securities	908,260	-	-	-	-	908,260
FVTPL						
Malaysian Government securities	-	-	-	9,179	-	9,179
Government investment issues	-	-	-	2,927	-	2,927
Unquoted debt securities	-	-	-	13,136	-	13,136
Reinsurance assets	8,471	-	-	-	-	8,471
Insurance receivables	9,968	-	46,590	-	-	56,558
Other receivables	9,740	-	38,288	381	-	48,409
Cash and bank balances	46,659	-	-	319	-	46,978
Total credit risk exposure	1,098,412	-	2,719,125	41,427	-	3,858,964

37. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure (cont'd.)

It is 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 Company’s rating policy. The attributable risk ratings are assessed and updated regularly. The Company has not provided the credit risk analysis for the financial assets of the unit linked business where the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholders do not have direct exposure to any credit risk in those assets.

Movement in allowances for impairment for financial assets are as follows:

	<---------------- Individual impairment		-------------------->		Collective impairment	
	Loans receivable RM'000 (Note 7(a))	Insurance receivables RM'000	Reinsurance assets* RM'000	Sub total RM'000	Insurance receivables* RM'000	Total RM'000
At 1 January 2015	4,341	1,843	1,685	7,869	1,760	9,629
Amount written back in respect of recoveries	(578)	-	-	(578)	-	(578)
Disposal of GI business	-	(1,843)	(1,685)	(3,528)	(1,760)	(5,288)
At 31 December 2015	3,763	-	-	3,763	-	3,763
At 1 January 2016	3,763	-	-	3,763	-	3,763
Allowance made during the year	74	2,296	-	2,370	-	2,370
At 31 December 2016	3,837	2,296	-	6,133	-	6,133

* Relating to assets classified as held for sale.

37. Financial risk (cont'd.)

(e) Cash flow and liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost in meeting the obligations. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages the liquidity risk by monitoring daily cash inflows and outflows and by ensuring a reasonable amount of financial assets are kept in liquid instruments at all times. The Company also practices asset-liability management and ensures that the average investment duration and maturity profiles match the Company’s liabilities.

Maturity profiles

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

For insurance contract 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.

Unit linked liabilities are repayable or transferable on demand and are included in the “up to a year” column. Repayments which are subject to notice are treated as if notice were to be given immediately.

37. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2016							
Financial investments:							
LAR	545,814	239,327	1,187	2,961	2,299	302,754	548,528
AFS	3,468,910	37,778	210,269	2,577,561	2,386,154	323,045	5,534,807
FVTPL	125,817	-	6,689	19,234	17,072	99,155	142,150
	4,140,541	277,105	218,145	2,599,756	2,405,525	724,954	6,225,485
Reinsurance assets	10,015	10,015	-	-	-	-	10,015
Insurance receivables	57,522	57,522	-	-	-	-	57,522
Other receivables	65,270	65,270	-	-	-	-	65,270
Cash and bank balances	14,091	14,091	-	-	-	-	14,091
Total financial and insurance assets	4,287,439	424,003	218,145	2,599,756	2,405,525	724,954	6,372,383
Insurance contract liabilities	3,917,012	214,417	855,335	1,198,955	1,393,744	409,321	4,071,772
Insurance payables	129,592	129,592	-	-	-	-	129,592
Other payables	38,023	38,023	-	-	-	-	38,023
Total financial and insurance liabilities	4,084,627	382,032	855,335	1,198,955	1,393,744	409,321	4,239,387
Total liquidity surplus/(gap)	202,812	41,971	(637,190)	1,400,801	1,011,781	315,633	2,132,996

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37. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2015							
Financial investments:							
LAR	451,827	131,472	5,249	6,567	-	312,109	455,397
AFS	3,555,354	97,536	567,711	2,330,235	2,252,583	341,377	5,589,442
FVTPL	121,997	-	3,433	30,921	3,323	96,755	134,432
	4,129,178	229,008	576,393	2,367,723	2,255,906	750,241	6,179,271
Reinsurance assets	8,471	8,471	-	-	-	-	8,471
Insurance receivables	56,558	56,558	-	-	-	-	56,558
Other receivables	48,409	48,409	-	-	-	-	48,409
Cash and bank balances	46,978	46,978	-	-	-	-	46,978
Total financial and insurance assets	4,289,594	389,424	576,393	2,367,723	2,255,906	750,241	6,339,687
Insurance contract liabilities	3,853,324	397,031	890,173	1,258,671	1,390,884	444,436	4,381,195
Insurance payables	118,821	118,821	-	-	-	-	75,822
Other payables	58,020	58,020	-	-	-	-	58,020
Total financial and insurance liabilities	4,030,165	573,872	890,173	1,258,671	1,390,884	444,436	4,515,037
Total liquidity surplus/(gap)	259,429	(184,448)	(313,780)	1,109,052	865,022	305,805	1,824,650

37. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities:

31 December 2016	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	107,496	-	107,496
Investment properties	-	43,975	-	43,975
Intangible assets	-	10,234	-	10,234
Prepaid land lease payments	-	213	-	213
Investments:				
LAR	218,682	306,530	20,602	545,814
AFS	332,679	3,136,231	-	3,468,910
FVTPL	-	-	125,817	125,817
Reinsurance assets	10,015	-	-	10,015
Insurance receivables	57,522	-	-	57,522
Other receivables	66,572	-	291	66,863
Tax recoverable	6,979		149	7,128
Cash and bank balances	13,840	-	251	14,091
Total assets	706,289	3,604,679	147,110	4,458,078
Liabilities				
Insurance contract liabilities	791,542	2,987,535	137,935	3,917,012
Deferred tax liabilities	17,208	-	1,236	18,444
Insurance payables	129,592	-	-	129,592
Other payables	92,789	-	143	92,932
Total liabilities	1,031,131	2,987,535	139,314	4,157,980

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

37. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities (cont'd.):

31 December 2015	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	128,503	-	128,503
Investment properties	-	16,540	-	16,540
Intangible assets	-	11,952	-	11,952
Prepaid land lease payments	-	225	-	225
Investments:				
LAR	427,786	8,556	15,485	451,827
AFS	432,079	3,123,275	-	3,555,354
FVTPL	-	-	121,997	121,997
Reinsurance assets	8,471	-	-	8,471
Insurance receivables	56,558	-	-	56,558
Other receivables	48,846	-	381	49,227
Cash and bank balances	46,659	-	319	46,978
Total assets	1,020,399	3,289,051	138,182	4,447,632
Liabilities				
Insurance contract liabilities	318,558	3,392,997	141,769	3,853,324
Deferred tax liabilities	10,483	-	1,305	11,788
Insurance payables	118,821	-	-	118,821
Provision for taxation	374	-	1,149	1,523
Other payables	103,013	-	2,519	105,532
Total liabilities	551,249	3,392,997	146,742	4,090,988

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

38. Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

The Company mitigates operational risks by establishing a proper framework for controls and procedures, which includes total risk profiling, documented procedures, proper segregation of duties, access controls, authorization and reconciliation procedures and staff training.

The Risk Management and Compliance Department assesses the effectiveness of the operational compliance and report to the Governance, Risk and Compliance Committee and BRMC.

39. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

		Fair value measurement using			
	Date of valuation	**Level 1 - Quoted market price in active market**	**Level 2 - Significant observable inputs**	**Level 3 - Significant unobservable inputs**	**Total fair value**
		RM'000	**RM'000**	**RM'000**	**RM'000**
31 December 2016					
Assets measured at fair value:					
Investment properties (Note 4)	March/ December 2016	-	-	43,975	43,975
AFS financial assets (Note 7(b)):					
Malaysian Government securities	31 December 2016	-	1,471,254	-	1,471,254
Government investment issues	31 December 2016	-	172,457	-	172,457
Malaysian Government guaranteed bonds	31 December 2016	-	582,115	-	582,115
Unquoted debt securities	31 December 2016	-	920,039	-	920,039
Quoted equity securities	31 December 2016	202,109	-	-	202,109
Quoted unit and property trust funds	31 December 2016	118,850	-	-	118,850
		320,959	3,145,865	-	3,466,824

39. Fair value measurement (cont'd.)

31 December 2016 (cont'd.)	Date of valuation	Fair value measurement using: Level 1 - Quoted market price in active market RM'000	Level 2 - Significant observable inputs RM'000	Level 3 - Significant unobservable inputs RM'000	Total fair value RM'000
Assets measured at fair value: (cont'd.)					
Financial assets designated at FVTPL (Note 7(c)):					
Malaysian Government securities	31 December 2016	-	10,056	-	10,056
Government investment issues	31 December 2016	-	4,159	-	4,159
Unquoted debt securities	31 December 2016	-	12,447	-	12,447
Quoted equity securities	31 December 2016	49,414	-	-	49,414
Quoted exchange traded funds	31 December 2016	23,030	-	-	23,030
Quoted unit and property trust funds	31 December 2016	3,401	-	-	3,401
Unquoted unit funds	31 December 2016	-	23,310	-	23,310
		75,845	49,972	-	125,817
Revalued property and equipment (Note 3)	*	-	-	96,926	96,926
		396,804	3,195,837	140,901	3,733,542

* The properties had been revalued at various dates since November 2014 to December 2016 for different properties.

39. Fair value measurement (cont'd.)

	Date of valuation	Fair value measurement using: Level 1 - Quoted market price	Level 2 - Valuation Techniques - Market observable inputs	Level 3 - Significant unobservable inputs	Total fair value
		RM'000	RM'000	RM'000	RM'000
31 December 2015					
Assets measured at fair value:					
Investment properties (Note 4)	November/ December 2015	-	-	16,540	16,540
AFS financial assets (Note 7(b)):					
Malaysian Government securities	31 December 2015	-	1,531,771	-	1,531,771
Government investment issues	31 December 2015	-	182,609	-	182,609
Malaysian Government guaranteed bonds	31 December 2015	-	598,839	-	598,839
Unquoted debt securities	31 December 2015	-	908,260	-	908,260
Quoted equity securities	31 December 2015	223,018	-	-	223,018
Quoted unit and property trust funds	31 December 2015	106,818	-	-	106,818
		329,836	3,221,479	-	3,551,315

39. Fair value measurement (cont'd.)

	Date of valuation	Level 1 - Quoted market price	Level 2 - Valuation Techniques - Market observable inputs	Level 3 - Significant unobservable inputs	Total fair value
		Fair value measurement using			
		RM'000	RM'000	RM'000	RM'000
31 December 2015 (cont'd.)					
Assets measured at fair value: (cont'd.)					
Financial assets designated at FVTPL (Note 7(c)):					
Malaysian Government securities	31 December 2015	-	9,179	-	9,179
Government investment issues	31 December 2015	-	2,927	-	2,927
Unquoted debt securities	31 December 2015	-	13,136	-	13,136
Quoted equity securities	31 December 2015	53,453	-	-	53,453
Quoted exchange traded funds	31 December 2015	20,811	-	-	20,811
Quoted unit and property trust funds	31 December 2015	3,094	-	-	3,094
Unquoted unit funds	31 December 2015	-	19,397	-	19,397
		77,358	44,639	-	121,997
Revalued property and equipment (Note 3)	November/ December 2014	-	-	123,028	123,028
		407,194	3,266,118	139,568	3,812,880

39. Fair value measurement (cont'd.)

The Company categorises its fair value measurements in accordance to the fair value hierarchy which is based on the priority of inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets, a lower priority to valuation techniques based on observable inputs and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 - Quoted prices in active markets

Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 - Valuation technique supported by observable inputs

Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liabilities, either directly or indirectly. These include quoted prices for similar financial assets and financial liabilities in active markets, quoted prices for identical or similar financial assets and financial liabilities in inactive markets, inputs that are observable that are no prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 - Valuation technique supported by unobservable inputs

Fair value measurements using significant non market observable inputs. These include valuations for financial assets and financial liabilities that are derived using data, some or all of which is not market observable, including assumptions about risks.

There has been no transfers of financial assets between Level 1 and Level 2 during the financial year ended 31 December 2016 and 2015.

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40. Insurance funds

The Company's activities are organised by funds and segregated into the Shareholders' and Life funds in accordance with the Financial Services Act, 2013. The statements of financial position, income statements and condensed statements of cash flows by funds are presented as follows:

Statements of financial position by funds
As at 31 December 2016

	Shareholders' funds		Life funds		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property and equipment	14	19	107,482	128,484	107,496	128,503
Investment properties	-	-	43,975	16,540	43,975	16,540
Intangible assets	-	-	10,234	11,952	10,234	11,952
Prepaid land lease payments	-	-	213	225	213	225
Investments*	242,239	313,511	3,906,086	3,823,169	4,140,541	4,129,178
Reinsurance assets	-	-	10,015	8,471	10,015	8,471
Insurance receivables	-	-	57,522	56,558	57,522	56,558
Other receivables**	66,723	58,245	65,097	47,094	66,863	49,227
Tax recoverable	(1,323)	-	8,451	-	7,128	-
Cash and bank balances	8,317	8,305	5,774	38,673	14,091	46,978
Total assets	315,970	380,080	4,214,849	4,131,166	4,458,078	4,447,632

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40. Insurance funds (cont'd.)

Statements of financial position by funds (cont'd.)
As at 31 December 2016

	Shareholders' funds		Life funds		Total	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Total equity	300,098	356,644	-	-	300,098	356,644
Liabilities						
Insurance contract liabilities*	-	-	3,924,796	3,860,826	3,917,012	3,853,324
Deferred tax liabilities	14,528	11,590	3,916	198	18,444	11,788
Insurance payables	-	-	129,592	118,821	129,592	118,821
Provision for taxation	-	3,514	-	(1,991)	-	1,523
Other payables**	1,344	8,332	156,545	153,312	92,932	105,532
Total liabilities	15,872	23,436	4,214,849	4,131,166	4,157,980	4,090,988
Total equity and liabilities	315,970	380,080	4,214,849	4,131,166	4,458,078	4,447,632

* Included in investments and insurance contract liabilities are inter-fund balances which are eliminated in presenting the Company's total balances.

** Included in other receivables and payables are inter-fund balances which are eliminated in presenting the Company's total balances.

40. Insurance funds (cont'd.)

Income statements by funds
For the financial year ended 31 December 2016

	Shareholders' funds		Life funds		Total	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations:						
Gross earned premiums	-	-	564,297	571,109	564,297	571,109
Earned premiums ceded to reinsurers	-	-	(11,086)	(9,130)	(11,086)	(9,130)
Net earned premiums	-	-	553,211	561,979	553,211	561,979
Investment income	10,879	13,316	177,892	175,081	188,771	188,397
Realised gains and losses	2,040	87	27,681	13,080	29,721	13,167
Fair value gains and losses	-	-	1,836	(2,258)	1,836	(2,258)
Fee and commission income	-	-	-	206	-	206
Other operating revenue	250	9	617	1,213	867	1,222
Other revenue	13,169	13,412	208,026	187,322	221,195	200,734
Gross benefits and claims paid	-	-	(521,982)	(484,440)	(521,982)	(484,440)
Claims ceded to reinsurers	-	-	4,353	8,506	4,353	8,506
Gross change in contract liabilities	-	-	(32,138)	(80,449)	(32,138)	(80,449)
Change in contract liabilities ceded to reinsurers	-	-	1,544	5,912	1,544	5,912
Net benefits and claims	-	-	(548,223)	(550,471)	(548,223)	(550,471)
Fee and commission expenses	-	-	(82,252)	(81,099)	(82,252)	(81,099)
Other operating expenses	(2,689)	(3,903)	(13,997)	(12,186)	(16,686)	(16,089)
Management expenses	(5,036)	(4,584)	(80,606)	(75,881)	(85,642)	(80,465)
Taxation of life insurance business	-	-	(8,237)	(11,420)	(8,237)	(11,420)
Other expenses	(7,725)	(8,487)	(185,092)	(180,586)	(192,817)	(189,073)
Profit from operations	5,444	4,925	27,922	18,244	33,366	23,169
Transferred from Life funds:						
- Participating fund	15,920	15,538	(15,920)	(15,538)	-	-
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	12,002	2,706	(12,002)	(2,706)	-	-
Profit before taxation from continuing operations	33,366	23,169	-	-	33,366	23,169
Taxation	(4,784)	(5,493)	-	-	(4,784)	(5,493)
Net profit for the year from continuing operations	28,582	17,676	-	-	28,582	17,676

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40. Insurance funds (cont'd.)

Income statements by funds (cont'd.)
For the financial year ended 31 December 2016

	Shareholders' funds		Life funds		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Discontinued operations:						
Net profit for the year from discontinued operations	-	4,552	-	-	-	4,552
Gain on disposal of general insurance business	-	35,681	-	-	-	35,681
Net profit for the year	28,582	57,909	-	-	28,582	57,909

Statements of cash flows by funds
For the financial year ended 31 December 2016

	Shareholders' funds		Life funds		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from:						
Operating activities	119,319	48,306	52,647	(64,712)	171,966	(16,406)
Investing activities	13	34,077	(6,895)	(1,341)	(6,882)	32,736
Financing activities	(90,000)	(149,996)	-	-	(90,000)	(149,996)
Net increase/(decrease) in cash and cash equivalents	29,332	(67,613)	45,752	(66,053)	75,084	(133,666)
At beginning of year	20,447	88,060	148,143	214,196	168,590	302,256
At end of year	49,779	20,447	193,895	148,143	243,674	168,590
Cash and cash equivalents comprise of:						
Cash and bank balances	8,317	8,305	5,774	38,673	14,091	46,978
Less: Cash restricted in use	(8,274)	(8,287)	-	-	(8,274)	(8,287)
	43	18	5,774	38,673	5,817	38,691
Short term deposits with maturity periods of less than 3 months	49,736	20,429	188,121	109,470	237,857	129,899
	49,779	20,447	193,895	148,143	243,674	168,590

41. Subsequent event

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objectives 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 Representatives) 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.

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

(a) Removal of the authorised share capital;
(b) Shares of the Company will cease to have par or nominal value; and
(c) The Company's share premium will become part of the share capital.

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