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PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS

Datuk Datu Harun bin Datu Mansor, JP (Chairman)
Datuk Francis Lai @ Lai Vun Sen
Datuk Siau Wui Kee
Lim Fung Ha
Petrus Gimbad
Haji Mohamed Rifai Bin Mohd Razi
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin
Datuk Lim Siong Eng (Resigned on 17 June 2016)

SECRETARY

Kan Poh Yee

REGISTERED OFFICE

7th Floor,
Wisma Perkasa, Jalan Gaya
88845 Kota Kinabalu
Sabah

PRINCIPAL PLACE OF BUSINESS

6th, 9th and 10th Floors
Plaza Berjaya
No. 12, Jalan Imbi
55100 Kuala Lumpur

DOMICILE : MALAYSIA

AUDITORS

Messrs Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damanlela
50490 Kuala Lumpur

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PROGRESSIVE INSURANCE BHD
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CONTENTS

PROGRESSIVE INSURANCE BHD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of all classes of general insurance business.

The principal activities of the subsidiaries, which are wholesale unit trust funds are as disclosed in Note 4(c) to the financial statements.

There has been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the year ended 31 December 2016 are as follows:

	Group RM	Company RM
Net profit for the year	23,264,454	23,173,335
Attributable to:		
Equity holder of the Company	23,121,035	
Non-controlling interest	143,419	
	23,264,454	

RESERVES AND PROVISIONS

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

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DIVIDENDS

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

	Company RM
In respect of financial year ended 31 December 2015 and as reported in the Director's report of that year:	
Final single tier dividend of 7.72% on 100,000,000 ordinary shares declared and paid on 18 May 2016.	7,720,000

At this forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2016 of 11.58% on 100,000,000 ordinary shares amounting to a total dividend payable of RM11,580,000 (11.58 sen per ordinary share) will be proposed for shareholders' approval. This dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

INSURANCE LIABILITIES

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

IMPAIRED DEBTS

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of impaired debts and the making of impairment allowance for impaired debts and satisfied themselves that all known impaired debts had been written off and that adequate allowance had been made for impaired debts.

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IMPAIRED DEBTS (CONT'D.)

At the date of this report, the Directors of the Group and of the Company are not aware of any circumstances which would render the amount written off for impaired debts or the amount of the impairment allowance for impaired debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to their recoverable amount.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT LIABILITIES

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

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

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

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CONTINGENT LIABILITIES (CONT'D.)

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

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group and of the Company.

SUBSEQUENT EVENT

There were no significant subsequent events during the financial year other than as disclosed in Note 30 to the financial statements.

CHANGE OF CIRCUMSTANCES

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 Group and of the Company which would render any amount stated in the financial statements misleading or inappropriate.

ITEMS OF AN UNUSUAL NATURE

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

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

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ISSUE OF SHARES

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

DIRECTORS AND THEIR INTERESTS IN SHARES

Directors who served since the beginning of the financial year to the date of this report are:

Datuk Datu Harun bin Datu Mansor, JP
Datuk Francis Lai @ Lai Vun Sen
Datuk Siau Wui Kee
Lim Fung Ha
Petrus Gimbad
Haji Mohamed Rifai Bin Mohd Razi
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin
Datuk Lim Siong Eng (Resigned on 17 June 2016)

Datuk Datu Harun bin Datu Mansor, JP and Datuk Siau Wui Kee retire pursuant to Section 205 of the Companies Act, 2016 at the next Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 76 of the Company's Articles of Association, Encik Petrus Gimbad retires, and being eligible, offers himself for re-election.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments and fees received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 17(b) and Note 26(b) to the financial statements) by reason of a contract made by the Company or a related company with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the year to which the Group and the Company was a party, whereby the Directors of the Company might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, the amount of indemnity given or insurance effected for any Directors and officers of the Company amount to RM 26,249.93.

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AUDITORS AND AUDITORS' REMUNERATION

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

The auditors' remuneration are disclosed in Note 17 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 17 March 2017

DATUK DATU HARUN BIN DATU MANSOR, JP)
)
)
) DIRECTORS
)
)
)
)
DATUK FRANCIS LAI @ LAI VUN SEN)

PROGRESSIVE INSURANCE BHD
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CORPORATE GOVERNANCE STATEMENT

BOARD RESPONSIBILITY AND OVERSIGHT

The Board has the full responsibility of leading the Company and providing strategic directions in terms of setting corporate objectives and business strategies for the Company and discharges its responsibility through compliance with the prescriptive requirements and adopting the best practice standards advocated in the Prudential Framework of Corporate Governance for Insurers.

Board Meetings

Six (6) Board meetings were held during the year 2016 and the number of meetings attended by each Director was as follows:

Director	No. of Board Meetings Attended	Attendance at AGM
Datuk Datu Harun bin Datu Mansor, JP	6/6	Yes
Datuk Lim Siong Eng (Resigned on 17 June 2016)	3/3	Yes
Datuk Francis Lai @ Lai Vun Sen	6/6	Yes
Datuk Siau Wui Kee	6/6	Yes
Lim Fung Ha	6/6	Yes
Petrus Gimbad	6/6	Yes
Haji Mohamed Rifai Bin Mohd Razi	6/6	Yes
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin	5/6	Yes

As at the date of this report, the Board comprises six (6) non-executive Directors, of which three (3) are independent, and one (1) Executive Director/Chief Executive Officer. The Board consists mainly of non-executive Directors which has enhanced the Board's objectivity and enabled it to effectively discharge its oversight function. The Board members are from diverse backgrounds with a mix of financial, technical, legal and business expertise and have the necessary depth of experience to deliberate on issues regarding strategy, monitoring of performance, succession and resources planning, formalisation of policies on issues specifically reserved for its decision and ensuring that the Group's internal controls and procedures are adequate. All Directors comply with the prescribed limit of other directorships held.

The position of the Chairman of the Board without executive responsibilities has ensured a balance of power and authority. The non-executive Directors are independent of management and do not participate in the day to day management of the Company.

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

The independent Directors fulfil their roles of corporate accountability and the following committees are established to assist the Board in the discharge of its duties. The activities and members of the relevant committees are as follows:

Audit and Examination Committee

The activities of the Audit and Examination Committee (AEC) are governed by its terms of reference that are approved by the Board. The Committee, comprising non-executive members, meets regularly and a total of four (4) meetings were held during the year ended 31 December 2016. The Committee reviews the Annual Financial Statements of the Company tabled to the Board for approval and adequacy and effectiveness of internal control systems and perform any other functions as advised by the Board.

The Internal Audit Department (IAD) assists the AEC in the discharge of its duties and responsibilities and amongst others, it reports on the Group's management, records, accounting policies and controls.

The IAD reports to the AEC and its findings and recommendations are communicated to the Board.

Members		**Meetings Attended**
Petrus Gimbad	Chairman-Non-executive (Independent)	4/4
Datuk Siau Wui Kee	Non-executive	4/4
Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin	Non-executive (Independent)	4/4

BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Investment Committee

The Committee reviews and recommends investment strategies and policies for the Board's approval and meets quarterly and other times as required. The Committee monitors the investment performance of the Company against the strategic plan, ensures investments are in accordance with the approved internal policies, investment risk management processes are in place and reports to the Board on any specific transactions requiring the awareness and sanction of the Board.

Members		Meetings Attended
Lim Fung Ha	Chairman - Non-executive	4/4
Datuk Datu Harun bin Datu Mansor, JP	Non-executive	4/4
Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Datuk Francis Lai @ Lai Vun Sen	Executive	4/4
Datuk Lim Siong Eng (Resigned on 17 June 2016)	Non-executive	1/1

Risk Management Committee

The Company has in place a formal and integrated enterprise-wide risk management framework to identify, evaluate and manage risks by identifying all major risks in critical areas of operations, assessing the possible impact of significant exposures and the risk mitigation measures taken.

The Committee reviews and recommends risk management strategies and policies for the Board's approval including assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively on a continuing basis.

Members		Meetings Attended
Datuk Datu Harun bin Datu Mansor, JP	Chairman - Non-executive	4/4
Datuk Siau Wui Kee	Non-executive	4/4
Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin	Non-executive (Independent)	3/4
Datuk Lim Siong Eng (Resigned on 17 June 2016)	Non-executive	2/2

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Establishment Committee

The Committee, comprising of non-executive members, reviews on an annual basis the remuneration package and other benefits applicable to the executive Director, management and staff and recommendations are made to the Board. The Committee ensures that the recommended remuneration package links reward to performance and the level of responsibilities undertaken and that they are in accordance with market practice.

Members		Meetings Attended
Datuk Datu Harun bin Datu Mansor, JP	Chairman - Non-executive	1/1
Lim Fung Ha	Non-executive	1/1
Datuk Siau Wui Kee	Non-executive	1/1
Petrus Gimbad	Non-executive (Independent)	1/1
Datuk Francis Lai @ Lai Vun Sen	Executive	1/1
Datuk Lim Siong Eng (Resigned on 17 June 2016)	Non-executive	1/1

Nominating Committee

The Committee has responsibilities of assessing and recommending nominees for directorship including re-appointments and establishing a mechanism for formal assessment on the effectiveness and contribution of the Board as a whole, Board Committees, individual Directors and the performance of the Chief Executive Officer. The Committee reviews and recommends to the full Board to ensure that the composition of the Board in terms of appropriate mix of skills and experience, size, balance of power and authority between executives and non-executives are in place. The members of the Nominating Committee are from various academic backgrounds and with extensive experience in both the government and private sectors.

Members		Meetings Attended
Datuk Datu Harun bin Datu Mansor, JP	Chairman - Non-executive	4/4
Datuk Francis Lai @ Lai Vun Sen	Executive	4/4
Lim Fung Ha	Non-executive	4/4
Petrus Gimbad	Non-executive (Independent)	4/4

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MANAGEMENT ACCOUNTABILITY

The Company has in place a documented and updated organisation structure with clear reporting lines and job descriptions for management and executive employees. In addition, there are also well documented policies and procedures in the operating manuals for all major functions within the Company. Monthly executive committee and departmental/branch meetings are held for better communication amongst the senior management team and employees on the affairs and operations of the Company.

CORPORATE INDEPENDENCE

Related party transactions, if any, are disclosed to the Board and they are on terms and conditions no more favourable than those available on similar transactions to the Company's other customers.

PUBLIC ACCOUNTABILITY

The Company upholds the principles of good business practices and ensures that dealings with the public are conducted fairly, honestly, and professionally. The Company has in place a system to handle public complaints and grievances, and the information on the avenue for further recourse against unfair practices is disclosed to the insureds.

CORPORATE GOVERNANCE

The Board of Directors fully appreciate the importance of and is committed to the principles of good corporate governance and is responsible to ensure that the highest standards of corporate governance are observed and that the affairs of the Group and of the Company are conducted with professionalism and with the objective of safeguarding policyholders' interests, shareholders' investments and meeting the obligations owed to other stakeholders.

The Company has complied with the prescriptive requirements of BNM/RH/PD 029-9: Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM") on 3 August 2016 and adopted management practices that are consistent with the best practise standards advocated in the Framework.

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CORPORATE GOVERNANCE (CONT'D.)

Board of Directors' Profile

Datuk Datu Harun bin Datu Mansor, JP
Chairman

- Holds a Bachelor of Law (Hons) from University of Kent at Canterbury, UK.
- Formerly serverd on the Board of Syarikat Perumahan Negara and Usahasama SPNB LTAT (Chairman).
- Appointed to the Board and as Chairman of Progressive Insurance Berhad in September, 2003.

Datuk Siau Wui Kee

- Holds a Bachelor of Commerce and Administration (Hons) from Victoria University of Wellington.
- Present Position : Chairman of Sabah Development Bank Berhad.
- Appointed to the Board of Progressive Insurance Berhad in September 2002.

Datuk Francis Lai @ Lai Vun Sen

- Chief Executive Officer of Progressive Insurance Berhad.
- Appointed to the Board of Progressive Insurance Berhad in September 2002.
- With 45 plus years of experience in insurance industry.

Janice Lim Fung Ha

- Holds a Bachelor of Economics (Hons) from Manchester Polytechnic, UK, majoring in finance and investment.
- Presently serving with Ministry of Finance, Sabah.
- Appointed to the Board of Progressive Insurance Berhad in July 2007.

Petrus Gimbad

- Chartered Accountant of The Malaysian Institute of Accounts and Fellow of The Chartered Association of Certified Accountants, UK.
- Holds a Master of Business Administration (Bath) and a Master in Advanced Business Practice (South Australia).
- Present Position : Director of Sabah Development Bank and Yayasan Innovasi Malaysia.
- Appointed to the Board of Progressive Insurance Berhad in November 2012.

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CORPORATE GOVERNANCE (CONT'D.)

Board of Directors' Profile (Cont'd.)

Tuan Haji Mohamed Rifai bin Mohd Razi

- Holds Bachelor of Science (Physics) degree from University Kebangsaan Malaysia.
- Holds an MBA from University Tun Abdul Razak, Malaysia.
- Associate of the Risk Management from American Institute for Chartered Property Casualty Underwriter in USA.
- Associate of The Chartered Insurance Institute, UK.
- Formerly Managing Director/Chief Executive Officer of IIB Insurance Brokers Sdn. Bhd (Insurance Broking).

Pg Mahmuddin bin Pg Md Tahir Nasruddin

- Graduated with LLB (Hons) degree from the University of Buckingham, England in 1980.
- Admitted into the Honourable Society of Lincon's Inn and was called to the Degree of Utter Barrister in 1981.
- Admitted as Advocate in the High Court in Borneo at Kota Kinabalu in 1982.
- Hold several key management positions in various Sabah state government-owned companies between 1982 until 2008, with the last position before retirement as Deputy General Manager (Corporate Affair) in Sabah Urban Development Corporation Sdn. Bhd.
- Appointed to the Board of Progressive Insurance Berhad in July 2015.

Trainings and education

As part of the dynamic industry, the Company ensure that the Directors are equipped with the relevant skills and updated knowledge to exert their roles in Board and Board Commitees. Continuous professional development is provided to the Directors time to time by the Company. The Company send the Directors to talks, seminar or presentation by the external professionals, consulatants or Management on topics relevant to the insurance industry.

The Company encourage the Directors to attend any of the forum, seminar and conferences conducted by any of the professional bodies within the industry or other professional organisation and regulatory bodies such as FIDE and BNM, where relevant.

The Directors will be updated constantly with the latest development in the industry through circulation of Industry-related articles. The Company has allocate sufficient fund for the continuous professional development. This is for the Directors to maintain their competency and efficiency in performing their roles.

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CORPORATE GOVERNANCE (CONT'D.)

Trainings attended:

The following are the trainings attended by the Directors :-

- AIF Distinguished Speaker Series 2016 (Other People's Money : Masters Of The Servants Of The People)
- CEO Challenge 2016 : Todays Critical Human Capital Challenges The Asia Perspective
- FIDE Core Programme (Module A – Insurance)
- FIDE Core Programme (Module B – Insurance)
- FIDE FORUM Dialogue with Deputy Governor on the Corporate Governance Concept Paper
- Malaysian Insurance Institute Directors' Training
- Malaysian Insurance Summit
- Q & A Session On liberalization of Motor & Fire Tariffs
- "Towards Board Excellence" Recommended by Ministry of Finance
- 3rd Distinguished Board Leadership Series – "Effective Board Evaluation"

FINANCIAL REPORTING

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

The Board receives regular financial and management reports and senior management receives monthly management reports to enable them to effectively monitor the performance and goals of the Company.

In line with the implementation of the Goods and Services Tax (GST) Act, 2014 on 1 April 2015, the Company had registered its business with the Royal Malaysian Customs. With the active participation by all operational units of the Company, the systems and processes of the Company have been enhanced to meet the requirements of GST, where appropriate.

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INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

The Directors acknowledge their responsibility over both the system of internal controls maintained by the Company and in reviewing its effectiveness. The scope of internal controls cover not only financial but also operational and compliance controls as well as business risk management.

The business risk management, other than insurance operations, includes the business recovery plan in the event of a business disruption, adequate treaty reinsurance programmes and half yearly stress tests to detect possible sources of vulnerability.

The Company has implemented an enterprise-wide risk management framework through the application of the corporate risk scorecard to proactively identify and manage risks effectively in order to achieve the Company's business objectives.

There are procedures in place for both internal and external auditors to report their findings and recommendations to the Board, Audit and Examination Committee and Management. All aspects of the systems of internal controls are subject to regular review to ensure their adequacy and effectiveness.

REMUNERATION POLICY

The policy is applicable to Members of the Board of Directors and all level of employee in Progressive Insurance Bhd ("PIB"). The Remuneration Policy sets out the policies,criteria and parameters relating to the Directors and employee remuneration.

PIB's remuneration philosophy is to:

(1) Attract and retain competent employees to contribute to improve the performance and value of the Company.

(2) Endeavour to encourage employee to perform their best by creating a good working environment that motivates high performance so that all employees can positively contribute to the strategy, vision, goals and values of the Company.

(3) Provide employees' total remuneration package at a competitive level by benchmarking to the market and providing incentives to commensurate with performances.

(4) Align the best interests of the employees with the other stakeholders, the Company believe that the long term success of the Company is directly linked to the calibre of employees that the Company employed.

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy for Members of Board of Directors

(1) Fixed Remuneration.

With the exception of the Chairman and the Executive Director described below, Board members are currently not paid any fixed remuneration. However, all Board members are paid attendance allowance (currently at the rate of RM1,000 per attendance) for each and every Board meeting or sub-committee meeting that they attended.

(a) Chairman of the Board:

(i) Chairman of the Board is paid a fixed monthly allowance, currently at the rate of RM6,000.00 per month.
(ii) Chairman of the Board is provided a fully-maintained company car with driver.

(b) Executive Director / Chief Executive Officer:

(i) The Executive Director is also the Chief Executive Officer of PIB and he receives monthly salary from the Company. He is also eligible and given other benefits normally accorded to a Chief Executive Officer of a company e.g. company car with driver.
(ii) The Chief Executive Officer's remuneration and incentives shall be decided by the Board of Directors.

(2) Reimbursement of expenses.

Expenses such as travel and accommodation relating to Board meetings and relevant training will be reimbursed in accordance with PIB's current policy.

(3) Annual financial rewards.

The shareholders of PIB may at their total and absolute discretion give a one-off financial reward to members of the Board of Directors during the Annual General Meeting.

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy For Employees

(1) The basis of employees remunerations.

In determining a holistic approach to employee remuneration, the Company takes into consideration the following:

- The strategy and business objectives of the Company;
- Overall business performance and alignment to shareholder interests;
- The need to attract and retain skilled, qualified and competent employees to contribute to improve the performance and the value of the Company;
- The prevailing job markets condition;
- Ensure that all employees are remunerated fairly;
- Ensuring that employees share in the success of the Company;
- Ensure that the correct governance frameworks are applied to all decisions and practices relating to remuneration throughout the Company; and
- The prevailing rate of Consumer Price Index (CPI).

(2) Key principles on matter regarding employees remuneration.

In order to address the above considerations and to ensure that employees feel that they are equitably rewarded for their performances and contributions, the Company will apply the following key principles:

- The Remuneration Policy is aligned to the overall business strategy and objectives and values of the Company.
- Remuneration policies, procedures and practises are consistent with, and supportive of, effective risk management.
- Employees are rewarded on a total rewards basis, which includes fixed, variable, short and long-term rewards as well as intangible rewards, in line with market practice.
- Incentives aimed at encouraging retention are clearly distinguished from those relating to rewarding performance.
- Adhere to the principles of good corporate governance.
- If appropriate and necessary, the Company may put in place a system of awarding variable incentive payments, distinctions are drawn between employees who operate in a "risk-taking" capacity and those who fulfil fiduciary roles.

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy For Employees (Cont'd.)

(2) Key principles on matter regarding employees remuneration (Cont'd.)

- Where surveys indicate that a particular job grouping is significantly out of line with market pay bands, a remuneration adjustment may be considered.
- Valid market pay differences due to geographical locations are taken into account. The principle of market rate in the area where the service is rendered by the employee is applied.
- Discretionary elements of pay beyond benchmarked levels can be included for scarcity, attraction and retention purposes, where appropriate.
- To remain competitive, market-related premiums will be considered for certain skills, employment equity purposes, and if there is a shortage of such skills.

(3) Short-term and variable Incentives

Short-term incentives comprise of the following:

(a) Contractual Bonus

All permanent and confirmed employees are eligible for Contractual Bonus. The Contractual bonus is payable in December each year. Employee whose service is less than 12 months will be paid on pro-rated basis.

(b) Performance Bonus.

All permanent and confirmed employees are eligible to be considered for Performance Bonus. The quantum of Performance Bonus depends of the result of his/her annual appraisal and performance during the financial year.

(c) Annual salary increment.

All permanent and confirmed employees are eligible for consideration for annual salary increment. The quantum of salary increment depends on the result of his/her annual appraisal and performance during the financial year.

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REMUNERATION POLICY (CONT'D.)

Remuneration Policy For Employees (Cont'd.)

(3) Short-term and variable Incentives

(d) Promotion and upgrading.

All permanent and confirmed employees are eligible for promotion and upgrading, depending on the result of their annual appraisal and also their individual performance during the year. Employees who are promoted or upgraded are normally given additional salary increment on top of their annual salary increment. Currently, the quantum of additional salary increment is not more than the employee's annual salary increment.

Note: There is no other forms of variable remuneration besides cash.

(4) Long-term Incentives (LTI)

(a) Additional KWSP contribution by the Company

All employees of the Company are required by law to be a member/ contributor of Kumpulan Wang Simpanan Pekerja (KWSP). Apart from KWSP, the Company do not provide any retirement plan nor long-term performance remuneration to its employees. However the Company pay additional amount of contribution ("excess contribution") over and above the statutory rates to the employee's KWSP accounts according to the number of years of service. The "excess contribution" is designed to keep and retain employees in the Company, ranged from 13% to 18%.

(b) Long service award

In recognition of the loyalty of employees, PIB give its employees Long Service Award in the form of financial rewards, from RM500 to RM3,000.

Note: There is no deferred remuneration in the Company.

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REMUNERATION POLICY (CONT'D.)

Governing structure of the remuneration policy

(1) Management level

As part of the business planning and operational budgeting cycle, the annual remuneration increases must be budgeted for. It shall be the responsibility of the Management to prepare the budget and to prepare the proposal for increase in employee's remuneration and incentives, to be tabled to the Establishment Committee.

(2) Establishment Committee

The decision and deliberation of the Establishment Committee shall be tabled by way of recommendation to the Board for the Board to consider and approve. The Establishment Committee shall take into account the Remuneration Policy and any other relevant documents such as the Committee's Terms of Reference when considering matters before it.

The Establishment Committee has full discretion in determining the appropriate remuneration policies and practices for the company, including but not limited to, annual remuneration increases, performance bonuses and other incentives.

(3) Board of Directors

The Board of Directors, after taking into consideration proposals and recommendations from the Establishment Committee, shall have the final decision on matters regarding remuneration policies in the Company.

Variation or Amendment to the Remuneration Policy

The Remuneration Policy is subject to review annually. However, any amendment to the Remuneration Policy must be first approved by the Establishment Committee before the amendment is effective.

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REMUNERATION POLICY (CONT'D.)

Senior Management

All EXCO members are defined as senior management, there are 12 officers in total. Senior Management received contractual bonus for the Financial year 2016 in total of RM203,567.95.

Total value of remuneration awards for Senior Management in 2016

	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	2,646,452	-
- Shares and share-linked instruments	-	-
- Other	60,000	-
Variable remuneration		
- Cash-based	676,429	-
- Shares and share-linked instruments	-	-
- Other	-	-
	3,382,881	-

19002-P

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

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

We, **Datuk Datu Harun bin Datu Mansor, JP** and **Datuk Francis Lai @ Lai Vun Sen**, being two of the Directors of **PROGRESSIVE INSURANCE BHD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 136 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 positions of the Group and of the Company as at 31 December 2016 and of their results and their cash flows for the year then ended.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 17 March 2017

DATUK DATU HARUN BIN DATU MANSOR, JP)
)
)
) DIRECTORS
)
)
)
)
DATUK FRANCIS LAI @ LAI VUN SEN)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

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

I, **Kan Poh Yee**, being the officer primarily responsible for the financial management of **PROGRESSIVE INSURANCE BHD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 136 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 abovementioned **KAN POH YEE**
at Kuala Lumpur in the Federal Territory
on 17 March 2017

KAN POH YEE

Before me,

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

16 - Tingkat Bawah Jalan Pudu
55100 Kuala Lumpur

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+603 2095 9078
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19002-P

Independent auditors' report to the members of Progressive Insurance Bhd (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Progressive Insurance Bhd, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the income statements, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of its financial performance and their 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 audit 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 and Corporate Governance Statement, but does not include the financial statements of the Company and our auditors' report thereon.

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

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Independent auditors' report to the members of
Progressive Insurance Bhd (Cont'd.)
(Incorporated in Malaysia)

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

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

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

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and 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 Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent auditors' report to the members of
Progressive Insurance Bhd (Cont'd.)
(Incorporated in Malaysia)

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

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

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

- Conclude on the appropriateness of 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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and 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 Group or the Company to cease to continue as a going concern.

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

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

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

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Independent auditors' report to the members of
Progressive Insurance Bhd (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

Brandon Bruce Sta Maria
No. 2937/09/17 (J)
Chartered Accountants

Kuala Lumpur, Malaysia
17 March 2017

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
ASSETS					
Property and equipment	3	15,077,946	11,856,637	15,077,946	11,856,637
Investments:		258,569,924	253,501,279	272,303,780	255,663,979
- Available-for-sale ("AFS") financial assets	4 (a)	64,114,247	68,055,131	189,255,619	188,161,781
- Financial assets at fair value through profit or loss ("FVTPL")	4 (b)	194,455,677	185,446,148	83,048,161	67,502,198
Reinsurance assets	5	94,177,930	94,624,275	94,177,930	94,624,275
Loans and other receivables	6	163,310,093	173,031,352	146,611,462	167,896,302
Tax recoverable		-	1,291,504	-	1,291,504
Deferred tax assets	7	442,489	1,005,545	442,489	1,005,545
Insurance receivables	8	18,059,475	24,705,946	18,059,475	24,705,946
Cash and bank balances		12,081,869	12,302,801	11,490,239	11,881,832
TOTAL ASSETS		561,719,726	572,319,339	558,163,321	568,926,020

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 (CONT'D.)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
EQUITY AND LIABILITIES					
Share capital	9	100,000,000	100,000,000	100,000,000	100,000,000
Reserves	10	136,413,714	117,324,170	136,476,890	117,395,448
		236,413,714	217,324,170	236,476,890	217,395,448
Non-controlling interests		3,535,641	3,391,440	-	-
TOTAL EQUITY		239,949,355	220,715,610	236,476,890	217,395,448
Insurance contract liabilities	11	257,631,904	278,451,007	257,631,904	278,451,007
Other financial liabilities	12	34,890,422	36,207,219	34,890,422	36,207,219
Insurance payables	13	20,949,758	31,376,851	20,949,758	31,376,851
Other payables	14	5,681,233	5,568,652	5,597,293	5,495,495
Tax payable		2,617,054	-	2,617,054	-
TOTAL LIABILITIES		321,770,371	351,603,729	321,686,431	351,530,572
TOTAL EQUITY AND LIABILITIES		561,719,726	572,319,339	558,163,321	568,926,020

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
Gross written premiums	11(ii)	151,646,182	159,094,486	151,646,182	159,094,486
Change in unearned premiums provision		5,632,225	1,589,120	5,632,225	1,589,120
Gross earned premiums	11(ii)	157,278,407	160,683,606	157,278,407	160,683,606
Gross written premiums ceded to reinsurers	11(ii)	(73,142,570)	(72,835,614)	(73,142,570)	(72,835,614)
Change in unearned premiums provision		374,202	(1,005,381)	374,202	(1,005,381)
Premiums ceded to reinsurers	11(ii)	(72,768,368)	(73,840,995)	(72,768,368)	(73,840,995)
Net earned premiums		84,510,039	86,842,611	84,510,039	86,842,611
Investment income, net	16	13,885,208	13,427,733	13,237,473	12,778,895
Realised gains and losses	18	3,503,018	2,391,342	3,402,392	2,412,587
Fair value gains and losses	19	(2,433,436)	894,374	(2,205,467)	784,343
Commission income		16,649,915	16,349,142	16,649,915	16,349,142
Other operating income	20	3,739,343	6,502,049	3,739,343	6,502,049
Other income		35,344,048	39,564,640	34,823,656	38,827,016
Gross claims paid		(69,747,356)	(71,154,273)	(69,747,356)	(71,154,273)
Claims ceded to reinsurers		15,360,632	21,064,800	15,360,632	21,064,800
Gross change in contract liabilities		15,186,878	(22,630,908)	15,186,878	(22,630,908)
Change in contract liabilities ceded to reinsurers		(820,547)	11,814,287	(820,547)	11,814,287
Net claims incurred	21	(40,020,393)	(60,906,094)	(40,020,393)	(60,906,094)
Commission expenses		(20,440,970)	(20,096,656)	(20,440,970)	(20,096,656)
Management expenses					
-General fund	17	(30,414,781)	(28,182,904)	(29,985,508)	(27,775,335)
-Shareholder's fund		(45,489)	(150,000)	(45,489)	(150,000)
Other expenses		(50,901,240)	(48,429,560)	(50,471,967)	(48,021,991)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Profit before taxation		28,932,454	17,071,597	28,841,335	16,741,542
Taxation	22	(5,668,000)	(1,300,000)	(5,668,000)	(1,300,000)
Net profit for the year		23,264,454	15,771,597	23,173,335	15,441,542
Earnings per ordinary share (sen) - basic and diluted	23	23.3	15.8		
Net profit for the year attributable to:					
Equity holder of the Company		23,121,035	15,635,990		
Non-controlling interests		143,419	135,607		
		23,264,454	15,771,597		

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Net profit for the year		23,264,454	15,771,597	23,173,335	15,441,542
Other comprehensive income					
Items that may be reclassified to income statements in subsequent periods:					
Fair value change on AFS financial assets:					
Gain on fair value changes		765,660	62,141	705,258	260,734
Transferred to profit or loss upon disposal	18	(253,483)	(61,344)	(253,483)	(61,344)
Deferred tax	7	(365,568)	113,373	(365,568)	113,373
		146,609	114,170	86,207	312,763
Items that will not be reclassified to income statements in subsequent periods:					
Revaluation of building:					
Surplus arising during the ye	3	3,200,000	-	3,200,000	-
Transferred from accumulated depreciation	3	1,109,900	-	1,109,900	-
Deferred tax	7	(768,000)	-	(768,000)	-
		3,541,900	-	3,541,900	-
Other comprehensive income for the year, net of tax		3,688,509	114,170	3,628,107	312,763
Total comprehensive income for the year		26,952,963	15,885,767	26,801,442	15,754,305
Total comprehensive income for the year attributable to:					
Equity holder of the Company		26,809,544	15,750,160	26,801,442	15,754,305
Non-controlling interests		143,419	135,607	-	-
		26,952,963	15,885,767	26,801,442	15,754,305

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

Group

	← Attributable to owners of the Company →						
	← Non-distributable →			Distributable			
	Share capital RM (Note 9)	Property revaluation reserve RM (Note 10)	Available for sale ("AFS") reserve RM (Note 10)	Retained earnings RM (Note 10)	Total RM	Non-controlling Interests RM	Total equity RM
At 1 January 2015	100,000,000	2,617,432	233,856	107,282,722	210,134,010	3,259,789	213,393,799
Total comprehensive income for the year	-	-	114,170	15,635,990	15,750,160	135,607	15,885,767
Dividends paid during the year (Note 24)	-	-	-	(8,560,000)	(8,560,000)	-	(8,560,000)
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(3,956)	(3,956)
At 31 December 2015	100,000,000	2,617,432	348,026	114,358,712	217,324,170	3,391,440	220,715,610
At 1 January 2016	100,000,000	2,617,432	348,026	114,358,712	217,324,170	3,391,440	220,715,610
Total comprehensive income for the year	-	3,541,900	146,609	23,121,035	26,809,544	143,419	26,952,963
Dividends paid during the year (Note 24)	-	-	-	(7,720,000)	(7,720,000)	-	(7,720,000)
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	782	782
At 31 December 2016	100,000,000	6,159,332	494,635	129,759,747	236,413,714	3,535,641	239,949,355

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Company

	← Attributable to owners of the Company				→
	← Non-distributable		→	Distributable	
	Share capital RM (Note 9)	**Property revaluation reserve RM (Note 10)**	**Available for sale ("AFS") reserve RM (Note 10)**	**Retained earnings RM (Note 10)**	**Total equity RM**
At 1 January 2015	100,000,000	2,617,432	688,144	106,895,567	210,201,143
Total comprehensive income for the year	-	-	312,763	15,441,542	15,754,305
Dividends paid during the year (Note 24)	-	-	-	(8,560,000)	(8,560,000)
Balance at 31 December 2015	100,000,000	2,617,432	1,000,907	113,777,109	217,395,448
At 1 January 2016	100,000,000	2,617,432	1,000,907	113,777,109	217,395,448
Total comprehensive income for the year	-	3,541,900	86,207	23,173,335	26,801,442
Dividends paid during the year (Note 24)	-	-	-	(7,720,000)	(7,720,000)
Balance at 31 December 2016	100,000,000	6,159,332	1,087,114	129,230,444	236,476,890

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP	2016 RM	2015 RM
Cash flow from operating activities		
Profit before taxation	28,932,454	17,071,597
Investment (income)/losses and cash flows:		
Interest income	(12,440,512)	(12,148,613)
Dividend income	(2,649,384)	(2,247,935)
Realised gains recorded in income statement	(3,503,018)	(2,301,362)
Fair value losses/(gains) recorded in income statement	2,433,436	(894,374)
Purchase of AFS financial assets	(48,752,408)	(84,707,298)
Proceeds from disposal of AFS financial assets	53,438,750	81,298,500
Purchase of FVTPL financial assets	(195,045,893)	(107,535,964)
Proceeds from disposal of FVTPL financial assets	186,319,362	99,492,492
Interest received	12,377,434	11,629,745
Dividends received	2,672,449	2,041,916
Non-cash items:		
Depreciation of property and equipment	1,578,163	1,525,026
Net amortisation of premiums	512,711	498,849
Net allowance for impairment on insurance receivables	118,103	351,161
Reversal of allowance for impairment of reinsurance assets	-	(2,000,000)
Write off of other receivables	200,000	-
Impairment of other receivables	-	50,000
Property and equipment written off	409	-
Gains on disposal of property and equipment	-	(89,980)
Changes in working capital:		
Decrease/(increase) in loans and receivables	10,996,984	(9,889,132)
Decrease/(increase) in insurance receivables	6,528,368	(3,107,774)
(Decrease)/increase in insurance contract liabilities	(20,372,757)	10,232,879
(Increase)/decrease in fixed and call deposits	(1,395,449)	6,726,481
(Decrease)/increase in insurance payables	(10,427,094)	3,934,841
(Decrease)/increase in other payables	(1,204,218)	3,372,838
Cash generated/(used in) from operating activities	10,317,890	13,303,893
Income tax refunded/(paid), net	(2,329,623)	612,200
Net cash generated from operating activities	7,988,267	13,916,093

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

GROUP	2016 RM	2015 RM
Investing Activities		
Proceeds from disposal of property and equipment	-	196,146
Purchase of property and equipment	(489,981)	(1,757,801)
Net cash used in investing activities	(489,981)	(1,561,655)
Financing Activities		
Dividends paid to shareholders	(7,720,000)	(8,560,000)
Proceeds from creation of units to non-controlling interests	782	5,146
Payment for cancellation of units to non-controlling interests	-	(9,102)
Net cash used in financing activities	(7,719,218)	(8,563,956)
Net (decrease)/increase in cash and cash equivalents	(220,932)	3,790,482
Cash and cash equivalents at beginning of year	12,302,801	8,512,319
Cash and cash equivalents at end of year	12,081,869	12,302,801

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
COMPANY

	2016 RM	2015 RM
Cash flow from operating activities		
Profit before taxation	28,841,335	16,741,542
Investment (income)/losses and cash flows:		
Interest income	(6,203,702)	(6,135,733)
Dividend income	(2,649,384)	(2,247,935)
Distribution income	(5,095,124)	(4,749,660)
Realised gains recorded in income statement	(3,402,392)	(2,322,607)
Fair value losses/(gains) recorded in income statement	2,205,467	(784,343)
Purchase of AFS financial assets	(48,752,408)	(84,707,298)
Proceeds from disposal of AFS financial assets	53,438,750	81,298,500
Purchase of FVTPL financial assets	(94,142,755)	(54,017,239)
Proceeds from disposal of FVTPL financial assets	79,501,082	51,606,467
Interest received	6,220,900	5,673,758
Dividends received	2,672,449	2,041,916
Non-cash items:		
Depreciation of property and equipment	1,578,163	1,525,026
Net amortisation of premium/(accretion of discount)	18,760	(115,533)
Net allowance for impairment on insurance receivables	118,103	351,161
Reversal of allowance for impairment of reinsurance assets	-	(2,000,000)
Write off of other receivables	200,000	-
Impairment of other receivables	-	50,000
Property and equipment written off	409	-
Gain on disposal of property and equipment	-	(89,980)
Changes in working capital:		
Decrease/(increase) in loans and receivables	10,996,984	(9,889,131)
Decrease/(increase) in insurance receivables	6,528,368	(3,107,774)
(Decrease)/increase in insurance contract liabilities	(20,372,757)	10,232,879
Decrease in fixed and call deposits	10,087,856	6,387,114
(Decrease)/increase in insurance payables	(10,427,094)	3,934,841
(Decrease)/increase in other payables	(1,214,999)	3,364,387
Cash generated from operating activities	10,148,011	13,040,358
Income tax (paid)/refunded, net	(2,329,623)	612,200
Net cash generated from operating activities	7,818,388	13,652,558

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

	2016 RM	2015 RM
Investing Activities		
Proceeds from disposal of property and equipment	-	196,146
Purchase of property and equipment	(489,981)	(1,757,801)
Net cash used in investing activities	(489,981)	(1,561,655)
Financing Activity		
Dividends paid to shareholders, representing net cash used in financing activity	(7,720,000)	(8,560,000)
Net cash used in financing activity	(7,720,000)	(8,560,000)
Net (decrease)/increase in cash and cash equivalents	(391,593)	3,530,903
Cash and cash equivalents at beginning of year	11,881,832	8,350,929
Cash and cash equivalents at end of year	11,490,239	11,881,832

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

1. CORPORATE INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 7th Floor, Wisma Perkasa, Jalan Gaya, 88845 Kota Kinabalu, Sabah and the principal place of business of the Company is located at 6th, 9th and 10th Floors, Plaza Berjaya, No. 12 Jalan Imbi, 55100 Kuala Lumpur.

The principal activity of the Group and of the Company is the underwriting of all classes of general insurance business. The principal activities of the subsidiaries, which are wholesale unit trust funds are as disclosed in Note 4(c). There has been no significant change in the nature of these activities during the financial year.

The financial statements of the Group and of the Company are authorised for issue by the Board of Directors in accordance with a resolution of the directors on 17 March 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of Compliance

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

The Companies Act, 2016 ("New Act") was enacted to supercede the Companies Act, 1965 in Malaysia with the objectives of strengthening existing structure that will 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 section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(a) Statement of Compliance (Cont'd.)

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

(a) Removal of the authorised share capital; and

(b) Shares of the Company will cease to have par or nominal value;

The adoption of the New Act is not expected to have any financial impact for the current financial year of the Company, if applicable, the effect of adoption will be reflected in the financial statement of the Company for financial year ending 31 December 2017.

There are some new pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") that have been adopted by the Group and Company. The effects arising from the adoption of these pronouncements are disclosed in Note 2.4.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for insurers ("the Framework") issued by BNM as at the reporting date.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency.

Financial assets and financial liabilities are offset and the net amount reported in the statements 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 expenses are not offset in the income statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the Company's subsidiaries are prepared for the same reporting date as the Company using consistent accounting policies to the transactions and events in similar circumstances.

The consolidated financial statements are prepared if control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed earlier.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policy in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

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

2.2 Summary of Significant Accounting Policies

(a) Foreign Currency Transactions

Transactions in foreign currencies are measured in the functional currency of the Group and of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(b) Premium Income

Premiums are recognised in the same financial period when risks are assumed. Premiums in respect of risks assumed for which billings have yet to be raised as at the reporting date are accrued to the extent that they can be reliably estimated.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

(c) Claims Expenses

Claims expenses represent amounts incurred by the Group and the Company as a result of an insured event occurring as defined in the terms of each insurance contract. Claims expenses include the amounts paid or payable to the policyholder upon the occurrence of an insured event as well as related expenses. Claims expenses are recognised in profit or loss upon notification of the occurrence of an insured event or events or as a result of a liability adequacy test performed at each reporting date.

(d) Commission Expenses

The cost of acquiring and renewing insurance policies is recognised as incurred and allocated to the periods in which it is probable they give rise to income.

(e) Reinsurance

The Group and the Company cede insurance risk in the normal course of business for all its businesses. Ceded reinsurance arrangements do not relieve the Group and the Company from their obligations to policyholders. For both ceded and assumed reinsurance, premiums and claims are presented on a gross basis.

Reinsurance arrangements entered into by the Group and the Company that meet the classification requirements of insurance contracts as described in Note 2.2(q) are accounted for as note below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all reinsurance arrangements entered into by the Group and the Company during the year met the classification requirements of insurance contracts.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Reinsurance (Cont'd.)

Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangement.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently if an indication of impairment arises during the reporting period.

Impairment occurs when there is objective evidence as a result of an event that occured after initial recognition of the reinsurance asset that the Group and 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.

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

(f) Other Revenue Recognition

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

(i) Interest Income

Interest income is recognised using the effective interest method.

(ii) Dividend Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Other Revenue Recognition (Cont'd.)

(iii) Rental Income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(g) Income Tax

Income tax on profit or loss for the year comprises current and deferred tax.

At each reporting date, the carrying amount of deferred tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Income Tax (Cont'd.)

(i) Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay 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 in profit or loss as incurred. As required by law, the Group and the Company make such contributions to the Employees Provident Fund ("EPF").

(i) Property and Equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property and equipment except for freehold and leasehold office lots are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Property and Equipment (Cont'd.)

Freehold and leasehold office lots are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined based on the comparison method of valuation that is undertaken by professionally qualified independent valuers. Revaluations are performed with sufficient regularity 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 revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation of property and equipment is provided on a straight-line basis, to write-off the cost of each asset to its residual value over its estimated useful life as follows:

Freehold and leasehold office lots	50 years
Office equipment	4 - 7 years
Furniture, fixtures and fittings	10 years
Motor vehicles	5 years
Office renovation	5 years
Soft furnishing	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Property and Equipment (Cont'd.)

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition is recognised in profit or loss in the year the asset is derecognised.

(j) Impairment of Non-Financial Assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises except for assets that were previously revalued where the revaluation was taken to comprehensive income. In this case, the impairment is also recognised in comprehensive income up to the amount of any previous revaluation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Impairment of Non-Financial Assets (Cont'd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated.

(i) Financial Assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets (Cont'd.)

(i) Financial Assets at FVTPL (Cont'd.)

Financial assets are designated as financial assets at FVTPL if they fulfill the following conditions:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency treatment that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases, or

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenditure or other income or investment income.

(ii) LAR

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. Subsequent to initial recognition, LAR are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the LAR are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets (Cont'd.)

(iii) AFS Financial Assets

AFS financial assets are financial assets that are designated as available for sale or are not classified in any of the other financial assets categories.

After initial recognition, AFS financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an AFS equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there are any objective evidence that a financial asset is impaired.

(i) Financial Assets Carried at Amortised Cost

To determine whether there are objective evidence that an impairment loss on financial assets have been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as insurance receivables, objective evidence of impairment of insurance receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Impairment of Financial Assets (Cont'd.)

(ii) AFS Financial Assets

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.

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 profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss 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 profit or loss.

(m) Insurance Receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost using effective interest method. Receivables are assessed as and when or at each reporting date whether there is objective evidence of impairment as a result of one or more events having an impact on the receivables amounts.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance receivable's original effective interest rate. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Insurance Receivables (Cont'd.)

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

(n) Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, cash and cash equivalents consist of cash and bank balances.

The Statements of Cash Flows are prepared using the indirect method.

(o) Product Classification

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

An insurance contract is a contract under which the Group and the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group and the Company determines whether significant insurance risk has been accepted by comparing benefits paid on the occurrence of an insured event with benefits payable if the insured event had not occurred.

Conversely, investment contracts are those contracts that transfer financial risk with no significant insurance risk. Based on this definition, all policies issued by the Group and the Company have been assessed to be insurance contracts as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(o) Product Classification (Cont'd.)

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 the period, unless all rights and obligations are extinguished or expire.

(p) Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(q) Insurance Contract Liabilities

Insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically, the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

The insurance contract liabilities of the Group and the Company comprise claim liabilities and premium liabilities.

(i) Claim Liabilities

Claim liabilities represent the Group's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries. Claim liabilities comprise liabilities for outstanding claims - being the cost of claims incurred and reported to the Group and the - as well as a reserve for claims incurred but not reported ("IBNR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Group and Company level.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(i) Claim Liabilities (Cont'd.)

Liabilities for outstanding claims are recognised as advised by policyholders. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claim development patterns.

(ii) Premium Liabilities

Premium liabilities represent the Group's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

In accordance with the valuation requirements of the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a PRAD calculated at 75% confidence level at the overall Company level.

- **Unexpired risk reserves**

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

  URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to IBNR claims.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(ii) Premium Liabilities (Cont'd.)

- **Unearned premium**

The UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period. The methods of computation of UPR are as follows:

- 25% method for marine and aviation cargo and transit business.

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

Motor, bond, group medical insurance and foreign workers compensation	10%
Fire, engineering, marine hull, aviation and individual medical insurance	15%
Other classes	25%

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

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

(iii) Liability Adequacy Test

At each reporting date, the Group and the Company review all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group and of the Company, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Group and the Company discount all contractual cash flows and compares this against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(iii) Liability Adequacy Test (Cont'd.)

The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Group and the Company. Based on this, all insurance contract liabilities as at reporting date are deemed to be adequate.

(r) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) 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 the amount of the obligation can be measured reliably. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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.

(s) Financial Liabilities

Financial liabilities classified as other financial liabilities are recognised in the statements of financial position when the Group and the Company become a party to the contractual provisions of the financial instrument. Other financial liabilities include cash collateral deposits received from policyholders. Insurance and other payables are recognised when due 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 interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(u) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group and 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. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating Leases - the Group and the Company as Lessee

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

(v) Fair Value Measurement

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 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 by the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Fair Value Measurement (Cont'd.)

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.

The Group and the Company use 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 minising the use of unobservable inputs.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine 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 financial year end.

The fair value of the freehold office lots was determined based on the market approach that reflects recent transaction prices for similar properties. The freehold and leasehold office lots were revalued based on the valuation carried out by accredited independent professional valuers, JS Valuers Property Consultants Sdn. Bhd. on an open market value basis using the comparison method. The valuation techniques used by the accredited independent valuers are verified by the Management to ensure that they are in accordance with the requirements of MFRS 13 Fair Value Measurement. The valuation results are then presented to the Board of Directors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

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

GST is a multistage consumption tax on domestic consumption.

For the Group and Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable 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 statements of financial position.

2.3 Significant Accounting Judgments, Estimates And Assumptions

(a) Critical judgments made in applying accounting policies

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

(i) Deferred tax assets

Deferred tax assets are recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(ii) Impairment of AFS financial assets

The Group and the Company evaluates the duration and extent to which the fair value of an investment is less than cost, the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Judgments, Estimates And Assumptions (Cont'd.)

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

(ii) Impairment of AFS financial assets (Cont'd.)

The recoverable value of AFS financial assets is then compared with its carrying value to determine the impairment loss to be recognised in the financial statements.

(b) Key sources of estimation uncertainty

(i) Valuation of freehold and leasehold office lots

The measurement of the fair value for freehold and leasehold office lots is arrived at by reference to market evidence of transaction prices for similar office lots and is performed by a recognised professional independent valuer. The significant inputs used by the independent valuer in deriving fair value of the office lots is disclosed in Note 3.

(ii) Valuation of general insurance contract liabilities

The preparation of financial statements requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

The principal uncertainty in the Group's general insurance business arises from the technical provisions which include the provisions of premiums and claims liabilities. The premium liabilities comprise unexpired risk reserves while claim liabilities comprise provision for outstanding claims and IBNR.

The establishment of technical provisions is an inherently uncertain process. The development and eventual settlement of premiums and claims liabilities may vary from their initial estimates as premiums and claims liabilities are sensitive to various factors and uncertainties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Judgments, Estimates And Assumptions (Cont'd.)

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

(ii) Valuation of general insurance contract liabilities (Cont'd.)

Generally, premiums and claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including a reasonable expectation of future events under similar circumstances.

There may be significant reporting lags between the occurrence of an insured event and the time it is reported to the Group and the Company. Following the identification and notification of an insured loss, the quantum of loss may not be reasonably ascertained due to uncertainty arising from inflation, judicial interpretations, legislative changes and claims handling procedures.

Note 28 provides the sensitivity analysis of the key assumptions applied during the valuation of insurance contract liabilities and the impact to gross and net carrying value, as well as profit or loss and equity.

2.4 Changes in Accounting Policies and Disclosures

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

On 1 January 2016, the Group and the Company adopted the following new and amended MFRSs for annual financial periods beginning on or after 1 January 2016.

Annual Improvements to MFRSs 2012-2014 Cycle
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127 Equity Method in Separate Financial Statements
Amendments to MFRS 101 Disclosure Initiatives

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies (Cont'd.)

Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
MFRS 14 Regulatory Deferral Accounts

The adoption of the above pronouncements did not have any significant impact on the financial statements of the Group and of the Company.

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:

Effective for the financial periods beginning on or after 1 January 2017

Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 107 Disclosures Initiatives
Amendments to MFRS 112 Recognition of Deferred Tax for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014-2016 Cycle
Amendments to MFRS 140 Transfers of Investment property
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
MFRS 9 Financial Instruments
MFRS 15 Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

Deferred

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

The management expects 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:

1. 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 summarized below:

(a) Classification and measurement

The Group and Company expect to have mixed business models. The Group and Company intend to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Group and Company intend 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 Group and 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 Group and Company are currently assessing the impact arising from these changes.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

1. MFRS 9 Financial Instruments (Cont'd.)

(a) Classification and measurement

The Group and Company expect to have mixed business models. The Group and Company intend to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Group and Company intend 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 Group and 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 Group and Company are currently assessing the impact arising from these changes.

For equity securities, the Group and Company will continue to measure its currently held for trading equity securities at FVTPL. The Group and Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. Under MFRS 9, the Group and 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 Group and Company applies MFRS 9. The Group and Company are currently assessing the impact arising from this change.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

1. MFRS 9 Financial Instruments (Cont'd.)

(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 Group and 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, financial guarantee contracts, and debt instruments held by the Group and Company.

The Group and Company expect to apply the simplified approach and record lifetime ECL on all debt instruments, 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, hedge accounting is not expected to have a significant impact on the Group and Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

1. MFRS 9 Financial Instruments (Cont'd.)

(d) Transition

The Group and Company plan to defer the application of MFRS 9 until the earliest effective date of the new insurance contracts standard MFRS 17 on 1 January 2021 applying the temporary exemption from adopting MFRS 9 as introduced by the Amendments MFRS 4 below.

2. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

2. Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Cont'd.)

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.

The Group and Company intend to apply the deferral approach as they have met the criteria mentioned above.

3. 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.

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 Group and Company are currently assessing the impact of MFRS 15 on its non-insurance contract related revenue and plan to adopt the new standard, if applicable on the required effective date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

4. 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 on transition to the new standard.

The Group and Company are currently assessing the impact of MFRS 16 and plan to adopt the new standard on the required effective date.

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3. PROPERTY AND EQUIPMENT

Group/Company	At Valuation		At Cost					
	Freehold Office Lots RM	Long-term Leasehold Office Lots RM	Office Equipment RM	Furniture, Fixtures & Fittings RM	Motor Vehicles RM	Office Renovation RM	Soft Furnishing RM	Total 2016 RM
VALUATION/COST								
At 1 January 2016	6,500,000	3,590,000	8,758,212	1,108,783	1,316,582	2,785,680	178,236	24,237,493
Surplus arising on revaluation	1,400,000	1,800,000	-	-	-	-	-	3,200,000
Additions	-	-	489,831	150	-	-	-	489,981
Write off	-	-	(3,256,507)	(264,876)	-	(78,839)	(18,339)	(3,618,561)
At 31 December 2016	7,900,000	5,390,000	5,991,536	844,057	1,316,582	2,706,841	159,897	24,308,913
ACCUMULATED DEPRECIATION								
At 1 January 2016	650,000	359,000	7,699,268	897,068	990,733	1,606,670	178,117	12,380,856
Charge for the year	223,000	143,700	634,586	50,509	128,352	397,991	25	1,578,163
Transferred to revaluation reserve on revaluation	(715,000)	(394,900)	-	-	-	-	-	(1,109,900)
Write off	-	-	(3,256,299)	(264,697)	-	(78,822)	(18,334)	(3,618,152)
At 31 December 2016	158,000	107,800	5,077,555	682,880	1,119,085	1,925,839	159,808	9,230,967
NET BOOK VALUE								
At 31 December 2016	7,742,000	5,282,200	913,981	161,177	197,497	781,002	89	15,077,946

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3. PROPERTY AND EQUIPMENT (CONT'D.)

Group/Company	At Valuation		At Cost					
	Freehold Office Lots RM	Long-term Leasehold Office Lots RM	Office Equipment RM	Furniture, Fixtures & Fittings RM	Motor Vehicles RM	Office Renovation RM	Soft Furnishing RM	Total 2015 RM
VALUATION/COST								
At 1 January 2015	6,500,000	3,590,000	8,152,465	1,098,211	1,223,807	2,035,353	178,236	22,778,072
Additions	-	-	605,747	12,570	389,157	750,327	-	1,757,801
Disposals	-	-	-	(1,998)	(296,382)	-	-	(298,380)
At 31 December 2015	6,500,000	3,590,000	8,758,212	1,108,783	1,316,582	2,785,680	178,236	24,237,493
ACCUMULATED DEPRECIATION								
At 1 January 2015	520,000	287,200	7,058,929	821,656	1,015,998	1,166,169	178,092	11,048,044
Charge for the year	130,000	71,800	640,339	77,244	165,117	440,501	25	1,525,026
Disposals	-	-	-	(1,832)	(190,382)	-	-	(192,214)
At 31 December 2015	650,000	359,000	7,699,268	897,068	990,733	1,606,670	178,117	12,380,856
NET BOOK VALUE								
At 31 December 2015	5,850,000	3,231,000	1,058,944	211,715	325,849	1,179,010	119	11,856,637

3. PROPERTY AND EQUIPMENT (CONT'D.)

(i) The Group's freehold and leasehold office lots are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. The freehold and leasehold office lots were revalued based on the valuation carried out by accredited independent professional valuers, JS Valuers Property Consultants Sdn. Bhd. on an open market value basis using the comparison method.

The valuers above are independent valuers not related to the Group and they are members of the Royal Institution of Surveyors Malaysia (RISM) with appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location.

The strata titles to the freehold office lots have yet to be issued by the relevant authorities.

(ii) The carrying amounts of the revalued properties had they been stated at cost less accumulated depreciation would be as follows:

	Group/Company	
	2016	**2015**
	RM	**RM**
Freehold office lots	2,554,486	2,704,750
Long-term leasehold office lots	1,861,148	1,927,068
	4,415,634	4,631,818

(iii) Description of valuation techniques used and key inputs to valuation of freehold and leasehold office lots of the Group and the Company are as follows:

	Valuation technique	**Unobservable inputs**	**Range**
Freehold office lots	Comparison method	Estimated value per square foot	RM415 to RM465
Long term leasehold office lots	Comparison method	Estimated value per square foot	RM520 to RM892

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value. The fair value of the freehold and leasehold office lots of the Group and the Company are classified under level 3 of the fair value hierachy as disclosed in Note 29 and the reconciliation from opening to closing balances are as shown at page 73 and page 74.

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4. INVESTMENTS

(a) AFS Financial Assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Malaysian Government Securities	976,250	958,400	976,250	958,400
Corporate debt securities	63,137,997	67,096,731	63,137,997	67,096,731
Wholesale unit trust funds	-	-	125,141,372	120,106,650
Total (a)	64,114,247	68,055,131	189,255,619	188,161,781

(b) Financial Assets at FVTPL

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Held for trading:				
Corporate debt securities	111,407,516	117,943,950	-	-
Unit trust funds	6,697,390	5,527,467	6,697,390	5,527,467
Equity securities	76,350,771	61,974,731	76,350,771	61,974,731
Total (b)	194,455,677	185,446,148	83,048,161	67,502,198
Total investments (a) + (b)	258,569,924	253,501,279	272,303,780	255,663,979

(c) Investments in subsidiaries - Wholesale unit trust funds

Details of the Company's investments in subsidiaries - wholesale unit trust funds amounting to RM 125,141,372 (2015: RM 120,106,650) in Malaysia are as follows:

<u>Established in Malaysia</u>	<u>Effective Direct Interests</u>	
	2016	**2015**
Affin Hwang Institutional Bond Fund	96.72%	96.72%
United Institutional Income Fund	98.00%	98.00%

4. INVESTMENTS (CONT'D.)

(c) Investments in subsidiaries - Wholesale unit trust funds (Cont'd.)

The Company considers that the non-controlling interests in the above subsidiaries are not significant and accordingly no disclosures are provided in respect of the summarised income statements, summarised statements of comprehensive income, summarised statements of financial position and summarised statements of cash flow.

Affin Hwang Institutional Bond Fund	Unit trust fund holding investments in fixed income securities/sukuk
United Institutional Income Fund	Unit trust fund holding investments in fixed income securities

5. REINSURANCE ASSETS

	Note	Group/Company 2016 RM	2015 RM
Reinsurance of insurance contracts			
Claim liabilities	11 (i)	76,038,294	76,858,841
Premium liabilities	11 (ii)	18,139,636	17,765,434
		94,177,930	94,624,275

Movement in allowance for impairment account - individually impaired:

	Note	2016 RM	2015 RM
At 1 January		-	2,000,000
Reversal of allowance for impairment	17	-	(2,000,000)
At 31 December		-	-

6. LOANS AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Other receivables:				
Other receivables and deposits	2,313,936	1,291,721	2,313,936	1,291,721
Prepayments	492,613	271,600	492,613	271,600
Income due and accrued	2,464,459	2,495,947	1,118,870	1,230,634
Share of net assets held by MMIP *	60,852,413	73,188,651	60,852,413	73,188,651
Amounts receivable from sale of shares/ matured bonds	999,430	1,041,639	999,430	1,041,639
Less: Impairment of other receivables	-	(50,000)	-	(50,000)
	67,122,851	78,239,558	65,777,262	76,974,246
Fixed and call deposits with:				
Licensed banks in Malaysia	57,187,242	55,791,794	41,834,200	51,922,056
Other financial institutions	39,000,000	39,000,000	39,000,000	39,000,000
	96,187,242	94,791,794	80,834,200	90,922,056
Total loans and other receivables	163,310,093	173,031,352	146,611,462	167,896,302

* The share of net assets of MMIP includes the Group's and Company's net cash contributions of RM 25,359,477 (2015: RM 34,359,477) made to MMIP. During the year, MMIP made cash reimbursement of RM 9,000,000 (2015: cash contribution made to MMIP of RM 7,011,576).

As a participating member of MMIP, the Group and Company share a proportion of the Pool's net assets/liabilities. At each reporting date, the Group and Company account for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Group's and Company's share of the Pool's net assets, before insurance contract liabilities. The Group's and Company's share of the Pool's insurance contract liabilities and net exposure arising from its participation in the Pool is disclosed in Note 11.

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6. LOANS AND OTHER RECEIVABLES (CONT'D.)

Movement for impairment of other receivables account:

	Group/Company	
	2016	**2015**
	RM	**RM**
At 1 January	50,000	-
Allowance for impairment	(50,000)	50,000
At 31 December	-	50,000

Included in the fixed and call deposits are cash collaterals received from policyholders of RM33,800,880 (2015: RM34,834,709) for guarantees issued on behalf of policyholders (Note 12).

The weighted average effective interest rates of the fixed and call deposits as at 31 December 2016 were 3.77% (2015: 3.73%) per annum.

7. DEFERRED TAX ASSETS

	Group/Company	
	2016	**2015**
	RM	**RM**
At 1 January	1,005,545	881,174
Recognised in profit or loss (Note 22)	570,512	10,998
Recognised in other comprehensive income	(1,133,568)	113,373
At 31 December	442,489	1,005,545

Presented after appropriate offsetting as follow:

	Group/Company	
	2016	**2015**
	RM	**RM**
Deferred tax assets	2,777,775	1,924,098
Deferred tax liabilities	(2,335,286)	(918,553)
	442,489	1,005,545

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7. DEFERRED TAXATION (CONT'D.)

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

Group/Company - Deferred tax assets

	Accelerated capital allowances RM	Provisions RM	Impaired AFS financial assets RM	Total RM
At 1 January 2016	(55,248)	666,846	1,312,500	1,924,098
Recognised in:				
Profit or loss	738,538	217,639	(102,500)	853,677
Other comprehensive income	-	-	-	-
At 31 December 2016	683,290	884,485	1,210,000	2,777,775
At 1 January 2015	(37,842)	606,468	1,312,500	1,881,126
Recognised in:				
Profit or loss	(17,406)	60,378	-	42,972
Other comprehensive income	-	-	-	-
At 31 December 2015	(55,248)	666,846	1,312,500	1,924,098

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7. DEFERRED TAXATION (CONT'D.)

Group/Company - Deferred tax liabilities

	Accretion of discounts net of amortisation of premiums RM	Premium liabilities RM	Property revaluation reserve RM	Fair value gains on financial assets at FVTPL RM	AFS reserve RM	Total RM
At 1 January 2016	60,150	91,733	(707,164)	(328,607)	(34,665)	(918,553)
Recognised in:						
Profit or loss	(67,606)	(132,598)	(231,545)	148,584	-	(283,165)
Other comprehensive income	-		(768,000)	-	(365,568)	(1,133,568)
At 31 December 2016	(7,456)	(40,865)	(1,706,709)	(180,023)	(400,233)	(2,335,286)
At 1 January 2015	32,190	(7,296)	(709,050)	(167,758)	(148,038)	(999,952)
Recognised in:						
Profit or loss	27,960	99,029	1,886	(160,849)	-	(31,974)
Other comprehensive income	-		-	-	113,373	113,373
At 31 December 2015	60,150	91,733	(707,164)	(328,607)	(34,665)	(918,553)

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8. INSURANCE RECEIVABLES

	Group/Company 2016 RM	Group/Company 2015 RM
Due premiums including agents/brokers and co-insurers balances	18,194,106	24,647,862
Due from reinsurers and cedants	2,946,162	3,020,774
	21,140,268	27,668,636
Less: Allowance for impairment	(3,080,793)	(2,962,690)
	18,059,475	24,705,946

The Group and Company's amounts due from reinsurers and cedants have been offset against amount due to reinsurers and cedants as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2016			
Premium ceded	4,084,803	(481,030)	3,603,773
Commissions payable	(1,074,843)	144,977	(929,866)
Claims recoveries	273,489	(1,234)	272,255
	3,283,449	(337,287)	2,946,162
31 December 2015			
Premium ceded	4,013,143	(241,276)	3,771,867
Commissions payable	(1,083,716)	33,408	(1,050,308)
Claims recoveries	300,729	(1,514)	299,215
	3,230,156	(209,382)	3,020,774

		Group/Company	
	Individually impaired RM	Collectively impaired RM	Total RM
Movement in allowance accounts:			
At 1 January 2016	354,415	2,608,275	2,962,690
Allowance for impairment loss (Note 17)	17,211	110,169	127,380
Write off of impairment loss	-	(9,277)	(9,277)
At 31 December 2016	371,626	2,709,167	3,080,793

8. INSURANCE RECEIVABLES (CONT'D.)

	Group/Company		
	Individually impaired RM	Collectively impaired RM	Total RM
Movement in allowance accounts:			
At 1 January 2015	393,572	2,201,797	2,595,369
(Write back of)/allowance for impairment loss (Note 17)	(39,157)	414,893	375,736
Write off of impairment loss	-	(8,415)	(8,415)
At 31 December 2015	354,415	2,608,275	2,962,690

9. SHARE CAPITAL

	Group/Company			
	2016		2015	
	No. of shares	RM	No. of shares	RM
At beginning/end of year				
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid up	100,000,000	100,000,000	100,000,000	100,000,000

10. RESERVES

Reserves of the Company relates to the following:

(a) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of properties and is not distributable as cash dividends until its realisation.

(b) AFS reserve

The AFS reserve is in respect of unrealised gains on AFS financial assets net of deferred taxation.

(c) Retained earnings

The Company may distribute dividends out of its entire retained earnings under the single tier system.

11. INSURANCE CONTRACT LIABILITIES

Group/Company	2016 Gross RM	2016 Reinsurance RM	2016 Net RM	2015 Gross RM	2015 Reinsurance RM	2015 Net RM
Provision for claims reported by policyholders	140,177,838	(65,179,500)	74,998,338	143,985,515	(65,845,847)	78,139,668
Provision for incurred but not reported claims ("IBNR")	43,453,542	(4,468,447)	38,985,095	54,212,407	(3,955,076)	50,257,331
Claims handling expenses	1,791,064	-	1,791,064	1,769,961	-	1,769,961
Provision of risk margin for adverse deviations ("PRAD")	12,214,187	(6,390,347)	5,823,840	12,855,626	(7,057,918)	5,797,708
Claim liabilities (i)	197,636,631	(76,038,294)	121,598,337	212,823,509	(76,858,841)	135,964,668
Premium liabilities (ii)	59,995,273	(18,139,636)	41,855,637	65,627,498	(17,765,434)	47,862,064
	257,631,904	(94,177,930)	163,453,974	278,451,007	(94,624,275)	183,826,732
(i) Claim Liabilities						
At 1 January	212,823,509	(76,858,841)	135,964,668	190,192,601	(65,044,554)	125,148,047
Claims incurred in the current accident year	130,930,171	(15,769,352)	115,160,819	169,863,363	(41,193,905)	128,669,458
Movements in claims incurred in prior accident years	(76,369,693)	1,229,267	(75,140,426)	(76,078,182)	6,314,818	(69,763,364)
Reversal of impairment loss on reinsurance asset recognised during the year	-	-	-	-	2,000,000	2,000,000
Claims paid during the year (Note 21)	(69,747,356)	15,360,632	(54,386,724)	(71,154,273)	21,064,800	(50,089,473)
At 31 December	197,636,631	(76,038,294)	121,598,337	212,823,509	(76,858,841)	135,964,668

11. INSURANCE CONTRACT LIABILITIES (CONT'D)

Group/Company (Cont'd.)	2016			2015		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
(ii) Premium Liabilities						
At 1 January	65,627,498	(17,765,434)	47,862,064	67,216,618	(18,770,815)	48,445,803
Premiums written in the year	151,646,182	(73,142,570)	78,503,612	159,094,486	(72,835,614)	86,258,872
Premiums earned during the year	(157,278,407)	72,768,368	(84,510,039)	(160,683,606)	73,840,995	(86,842,611)
At 31 December	59,995,273	(18,139,636)	41,855,637	65,627,498	(17,765,434)	47,862,064

As at 31 December 2016, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM50,734,780 (2015: RM67,672,755) and RM4,428,663 (2015: RM7,648,924) respectively.

11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

The Company's share in the net assets held under MMIP is as disclosed in Note 6. Presented below is the Company's net exposure position arising from of its participation in MMIP after considering its share of the Pool's insurance contract liabilities.

	Group/Company	
	2016	2015
	RM	RM
Assets/(Liabilities):		
Total Assets:		
- Accumulated cash contributions to MMIP	25,359,477	34,359,477
- Other assets	36,305,544	39,156,322
Insurance payables	(13,004)	(2,785)
Other payables and provisions	(799,604)	(324,363)
Net assets held under MMIP (Note 6)	60,852,413	73,188,651
Insurance contract liabilities		
- Claim liabilities	(50,734,780)	(67,672,755)
- Premium liabilities	(4,428,663)	(7,648,924)
Net assets/(liabilities) position	5,688,970	(2,133,028)

12. OTHER FINANCIAL LIABILITIES

	Group/Company	
	2016	2015
	RM	RM
Cash collateral deposits received from from policyholders (Note 6)	33,800,880	34,834,709
Interest on cash collateral deposits received from policyholders	1,089,542	1,372,510
	34,890,422	36,207,219

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13. INSURANCE PAYABLES

	Group/Company 2016 RM	Group/Company 2015 RM
Due to reinsurers and cedants	19,397,443	29,342,991
Due to agents/brokers and co-insurers balances	1,552,315	2,033,860
	20,949,758	31,376,851

The Group and Company's amounts due to reinsurers and cedants have been offset against amount from reinsurers and cedants as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2016			
Premium ceded	(29,261,168)	7,431,985	(21,829,183)
Commissions payable	1,916,988	(1,115,668)	801,320
Claims recoveries	(780,894)	2,411,314	1,630,420
	(28,125,074)	8,727,631	(19,397,443)
31 December 2015			
Premium ceded	(32,556,689)	728,251	(31,828,438)
Commissions payable	3,071,725	(208,013)	2,863,712
Claims recoveries	(753,588)	375,323	(378,265)
	(30,238,552)	895,561	(29,342,991)

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14. OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Provision for bonus	3,076,007	2,467,385	3,076,007	2,467,385
Amounts payable for purchase of shares/ bonds	1,232,741	842,856	1,232,741	842,856
Provision for professional and legal fees	30,000	30,000	30,000	30,000
Salaries and wages control	226,894	752,065	226,894	752,065
Other payables	809,728	1,231,746	725,788	1,158,589
Accrued expenses	305,863	244,600	305,863	244,600
	5,681,233	5,568,652	5,597,293	5,495,495

15. OPERATING REVENUE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Gross earned premium	157,278,407	160,683,606	157,278,407	160,683,606
Investment income before investment expenses (Note 16)	14,577,185	13,897,699	13,929,450	13,248,861
	171,855,592	174,581,305	171,207,857	173,932,467

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16. INVESTMENT INCOME, NET

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Financial assets at FVTPL				
Dividend income:				
Equity securities quoted in Malaysia	2,262,273	1,914,243	2,262,273	1,914,243
Unit trust funds	387,111	333,692	387,111	333,692
AFS financial assets				
Interest/profit income:				
Malaysian Government Securities	247,061	164,845	34,189	59,216
Corporate debt securities	9,081,385	9,030,337	3,293,751	3,241,699
(Amortisation of premium net of accretion of discounts)/ accretion of discounts net of amortisation of premium	(512,711)	(498,849)	(18,760)	115,533
Distribution income from wholesale unit trust funds	-	-	5,095,124	4,749,660
Interest/profit income from fixed and call deposits	3,112,066	2,953,431	2,875,762	2,834,818
Investment income before investment expenses (Note 15)	14,577,185	13,897,699	13,929,450	13,248,861
Less: Investment expenses	(691,977)	(469,966)	(691,977)	(469,966)
	13,885,208	13,427,733	13,237,473	12,778,895

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17. MANAGEMENT EXPENSES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Employee benefits expenses (a)	19,374,265	18,095,513	19,374,265	18,095,513
Non-executive directors remuneration (b):	504,000	498,565	504,000	498,565
- Fees	488,000	483,000	488,000	483,000
- Other emoluments	16,000	15,565	16,000	15,565
Auditors' remuneration				
- Audit fees	183,000	155,420	167,000	140,000
- Regulatory related fees	33,000	30,000	33,000	30,000
- GST related fees	-	35,000	-	35,000
- Non-audit fees	21,850	22,513	14,500	12,500
Management/survey fees	880,978	893,326	880,978	893,326
Allowance for impairment on: (Note 8)				
- insurance receivables	127,380	375,736	127,380	375,736
- reinsurance assets	-	(2,000,000)	-	(2,000,000)
Bad debts recovered	(53,655)	(24,576)	(53,655)	(24,576)
Impairment of other receivables (Note 6)	-	50,000	-	50,000
Write off of other receivables	200,000	-	200,000	-
Depreciation (Note 3)	1,578,163	1,525,026	1,578,163	1,525,026
Property and equipment written off	409	-	409	-
Operating leases:				
- Minimum lease payments for premises	517,060	513,600	517,060	513,600
- Minimum lease payments for office equipment	46,599	49,905	46,599	49,905
Computer maintenance charges	1,154,401	1,051,241	1,154,401	1,051,241
Other expenses	5,847,331	6,911,635	5,441,408	6,529,499
Total management expense	30,414,781	28,182,904	29,985,508	27,775,335

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17. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses

	Group/Company	
	2016	2015
	RM	RM
Wages, salaries and bonuses	14,628,140	13,840,578
Social security contributions	128,993	106,843
Contribution to Employees Provident Fund	2,774,690	2,295,039
Short term accumulating compensated absence	-	-
Other benefits	1,842,442	1,853,053
	19,374,265	18,095,513

Included in employee benefits expenses is the executive director's/chief executive officer's remuneration amounting to RM1,363,175 (2015: RM1,262,569) as disclosed in Note 17(b).

(b) Directors' remuneration

	Group/Company	
	2016	2015
	RM	RM
(i) Executive Director - Datuk Francis Lai @ Lai Vun Sen		
- Salary	604,810	562,614
- Allowance	105,000	105,000
- Defined contribution plan	203,274	185,781
- Bonus	450,091	409,174
Total salary costs (Note 17)	1,363,175	1,262,569
Benefits-in-kind	43,409	38,623
	1,406,584	1,301,192
(ii) Non-Executive Directors		
- Fees	488,000	483,000
- Other emoluments	16,000	15,565
	504,000	498,565
	1,910,584	1,799,757

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17. MANAGEMENT EXPENSES (CONT'D.)

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

	Group/Company	
	2016	**2015**
	RM	**RM**
Name:		
Datuk Datu Harun bin Datu Mansor, JP	152,000	149,565
Datuk Lim Siong Eng	52,000	62,000
Datuk Siau Wui Kee	60,000	60,000
Lim Fung Ha	60,000	52,000
Petrus Gimbad	60,000	54,000
Haji Pg Mahmuddin Bin Pg MD Tahir Nasruddin	57,000	6,000
Haji Mohamed Rifai Bin Mohd Razi	63,000	63,000
Haji Onn bin Abdullah (Retired on 25 May 2015)	-	52,000
	504,000	498,565

18. REALISED GAINS AND LOSSES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Financial assets at FVTPL:				
Equity securities	3,148,909	2,261,263	3,148,909	2,261,263
Corporate bonds	100,626	(21,245)	-	-
AFS financial assets:				
Corporate bonds	222,316	19,478	222,316	19,478
Malaysian Government Securities	31,167	41,866	31,167	41,866
Gains on disposal of property and equipment	-	89,980	-	89,980
	3,503,018	2,391,342	3,402,392	2,412,587

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19. FAIR VALUE GAINS AND LOSSES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Fair value (losses)/gains on financial assets at FVTPL	(2,433,436)	894,374	(2,205,467)	784,343
	(2,433,436)	894,374	(2,205,467)	784,343

20. OTHER OPERATING INCOME

	Group/Company	
	2016	2015
	RM	RM
Realised gains on foreign exchange	16,336	30,818
Rental income	12,600	21,600
Sundry income	3,710,407	6,449,631
	3,739,343	6,502,049

21. NET CLAIMS INCURRED

	Group/Company	
	2016	2015
	RM	RM
Gross claims paid less salvage	69,747,356	71,154,273
Claims ceded to reinsurers	(15,360,632)	(21,064,800)
Net claims paid	54,386,724	50,089,473

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21. NET CLAIMS INCURRED (CONT'D.)

	Group/Company	
	2016	2015
	RM	RM
Gross change in contract liabilities:		
At 31 December	197,636,631	212,823,509
At 1 January	(212,823,509)	(190,192,601)
	(15,186,878)	22,630,908
Change in contract liabilities ceded to reinsurers:		
At 31 December	(76,038,294)	(76,858,841)
At 1 January	76,858,841	65,044,554
	820,547	(11,814,287)
	40,020,393	60,906,094

22. TAXATION

	Group/Company	
	2016	2015
	RM	RM
Current income tax	6,248,005	1,376,529
Over provision of income tax in prior years	(9,493)	(65,531)
	6,238,512	1,310,998
Deferred tax (Note 7):		
- Relating to origination and reversal of temporary differences	(565,977)	35,833
- Effect on deferred tax due to changes in income tax rates	-	(1,985)
- Over provision of deferred tax in prior years	(4,535)	(44,846)
	(570,512)	(10,998)
	5,668,000	1,300,000

22. TAXATION (CONT'D.)

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

	Group	
	2016	**2015**
	RM	**RM**
Profit before taxation	28,932,454	17,071,597
Taxation at Malaysian statutory tax rate of 24% (2015:25%)	6,943,789	4,267,899
Effect on deferred tax due to changes in income tax rates	-	(1,985)
Income not subject to tax	(1,957,535)	(1,794,464)
Expenses not deductible for tax purposes	695,774	691,819
Over provison of income tax in prior years	(9,493)	(65,531)
Over provision of deferred tax assets in prior years	(4,535)	(44,844)
Additional tax deduction in respect of cash contributions made to MMIP *	-	(1,752,894)
Taxation for the year	5,668,000	1,300,000

	Company	
	2016	**2015**
	RM	**RM**
Profit before taxation	28,841,335	16,741,542
Taxation at Malaysian statutory tax rate of 24% (2015:25%)	6,921,920	4,185,386
Effect on deferred tax due to changes in income tax rates	-	(1,985)
Income not subject to tax	(1,832,641)	(1,610,056)
Expenses not deductible for tax purposes	592,749	589,924
Over provison of income tax in prior years	(9,493)	(65,531)
Over provision of deferred tax assets in prior years	(4,535)	(44,844)
Additional tax deduction in respect of cash contributions made to MMIP *	-	(1,752,894)
Taxation for the year	5,668,000	1,300,000

22. TAXATION (CONT'D.)

* In accordance with P.U.(A) 419, Income Tax Act 1967, the Ministry of Finance has granted a double tax deduction relief for all general insurance companies' contributions to the MMIP for losses incurred by the pool up to 31 December 2015. In the current financial year the Company made a total cash contribution of RM7,011,576 (2015: RM9,358,767) to MMIP.

23. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is calculated based on the net profit for the year of the Group of RM23,264,454 (2015: RM15,771,597) and the number of ordinary shares in issue during the year of 100,000,000 (2015: 100,000,000).

There was no potential dilutive effects of ordinary shares in issue at the end of the financial year.

24. DIVIDENDS

	Recognised in Year 2016 RM	2015 RM
In respect of financial year:		
2015: Final single-tier dividend of 7.72% on 100,000,000 ordinary shares (7.72 sen net per ordinary share)	7,720,000	-
2014: Final single-tier dividend of 8.56% on 100,000,000 ordinary shares (8.56 sen net per ordinary share)	-	8,560,000

24. DIVIDENDS (CONT'D.)

At this forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2016 of 11.58% on 100,000,000 ordinary shares amounting to a total dividend payable of RM11,580,000 (11.58 sen per ordinary share) will be proposed for shareholders' approval. This dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

25. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessee

The Group and the Company have entered into non-cancellable operating lease arrangements for the use of certain office premises. Certain contracts in these leases carry renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

The Group and the Company also lease office equipment under non-cancellable operating lease agreements with an automatic yearly renewal option unless a written termination notice is served by either party.

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

Future minimum rental payments:

	2016 RM	2015 RM
Not later than 1 year	572,174	566,172
Later than 1 year and not later than 5 years	1,829,429	1,621,498
Later than 5 years	630,247	1,171,726
	3,031,850	3,359,396

26. RELATED PARTY DISCLOSURES

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

The transactions between the Group and the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

(a) The Group and the Company had the following significant transactions and balances with related parties during and at the end of the year:

	Company	
	2016	**2015**
	RM	**RM**
Wholesale unit trust funds:		
Distribution income	5,095,124	4,749,660

	Group/Company	
	2016	**2015**
	RM	**RM**
Fellow subsidiary:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Fixed deposits placement at year end	5,000,000	5,000,000
Transactions:		
Interest income	514,178	388,640
Related Companies:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Transactions:		
Gross premium	8,370,251	7,573,572
Gross claims paid	(1,382,685)	(1,787,275)
Commission income	(536,872)	(419,909)

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26. RELATED PARTY DISCLOSURES (CONT'D.)

(b) The key management of the Company comprise the Chief Executive Officer who is also the Executive Director and the Directors. The remuneration of key management is disclosed in Note 17(b).

27. CAPITAL COMMITMENTS

	2016 RM	2015 RM
Authorised but not contracted for - property and equipment	2,467,850	3,997,600

28. RISK MANAGEMENT FRAMEWORK

Risk management forms an integral part of the Group's core business processes and the Board, with the assistance of the management, had implemented risk management processes within the Group and the Company that sets out the overall business strategies and the general risk management philosophy. The Group and the Company are exposed to operational, financial and general risks.

Investments in subsidiaries - Wholesale unit trust funds is exposed to a variety of risks which include market risk, credit risk, liquidity risk, capital risk and early redemption risk.

Financial risk management in wholesale unit trust funds is carried out through internal control processes adopted by the fund manager and adherence to the investment restrictions as stipulated by the Securities Commission's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and the Trust Deeds.

The risk management infrastructure of the Group and the Company set out clear accountability and responsibility for the risk management processes which underlines the oversight, principal risk management and control responsibilities:

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Processes	Parties Responsible
Approval of risk management policies, risk appetite and risk tolerance	**Board of Directors** Risk Management Committee (RMC)
Formulate and implement risk methodology structure, policies, risk appetite and risk tolerance	**Dedicated Committee** · Risk Management Work Group (RMWG)
Independent monitoring and review	**Independent Risk Management** · Internal Audit Department · Compliance Unit
Implementation and compliance with risk management policies and procedures	**Business Units** · Business Development Department, and Branches · Underwriting Department · Claims Department · Management Information Systems Department · Human Resource Department · Accounts & Finance and Investment Department

The formalised risk management framework of the Group and of the Company are as follows:

The Board of Directors are responsible for the Group's risk appetite/risk tolerance, capital management framework and risk management policies.

The Risk Management Committee ("RMC") was established to provide oversight on the risk management initiatives and drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks. The RMC is supported by the Risk Management Work Group ("RMWG").

The RMWG, headed by the Chief Executive Officer, is responsible to identify detailed risk management activities undertaken by the senior management team and communicate to the RMC on critical risks (present and potential) in terms of likelihood of exposures, the impact on the Group's business and the management action plans to manage and mitigate these risks on a continuing basis.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The risk management policies are subject to review to ensure that they remain relevant and effective in managing the associated risks due to changes in the market and regulatory environments.

The independent risk management review under the Internal Audit Department provides support to the dedicated Audit and Examination Committee ("AEC") and is responsible to ascertain that the risk policies are implemented and complied with.

The role of the AEC, supported by the Internal Audit Department, is to provide an independent assessment of the adequacy, effectiveness and reliability of the risk management processes and system of internal controls and compliance with risk processes, laws, internal policies and regulatory guidelines.

The Business Units are responsible for identifying, mitigating and managing risks within their respective lines of business and ensure that their day-to-day business activities are carried out in accordance with the established risk management policies, procedures and limits.

Capital Management Plan

The Company's Capital Management Plan ("CMP") is in compliance with the Guidelines on Internal Capital Adequacy Assessment Processes ("ICAAP") issued by BNM for Insurers.

Under the ICAAP Guidelines, there are six (6) key elements tabulated as below:

- Board and Senior Management Oversight
- Comprehensive Risk Assessment
- Individual Target Capital Level ("ITCL")
- Stress Testing
- Sound Capital Management
- Monitoring, Reporting and Review of ICAAP

The objective of the CMP is to optimise the efficiency and effective use of resources in order to maximise the returns and provide an appropriate level of capital protection to policyholders. The possible sources of vulnerabilities that can impact directly or indirectly on the operations and financial resilience of the Group and of the Company whilst complying with rules and regulations issued by the relevant authorities are taken into account.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Capital Management Plan (cont'd.)

The management of capital is guided by the CMP which is driven by the Group's business strategies and plans and organisational requisites which take into account the business and regulatory environment in which the Group and the Company operates.

The CMP takes into account how adverse scenarios are likely to affect the Group's risk management activities and sets out thresholds that act as triggers for corrective actions. The intensity of corrective actions increases depending on which threshold level is breached. The CMP ensures that an appropriate level of capital is maintained at all times.

Disclosure of the Company's regulatory capital requirements and compliance with the RBC Framework are disclosed at Notes 30 and 2.1.

Stress Testing

The Board and Management recognise stress testing as an effective risk management tool to identify potential threats due to exceptional but adverse plausible events.

The stress testing process has been designed to suit the Company's business environment and risk profile and is commensurate with the nature, complexity and sophistication of its business activities. Assumptions underlying the stress tests are consistent with the results of the comprehensive risk assessment to ensure that they are realistic. Challenging scenarios are incorporated into the stress testing exercise and will be continuously reviewed with the changing business environment. The stress testing process helps determine the extent by which capital may be eroded from exceptional but adverse plausible events.

The Board and Management participate actively in providing feedback and participating in the discussions on the methodology, assumptions and results of each stress testing exercise.

The Company's stress testing process complies with the Guidelines of Stress Testing for Insurers issued by BNM. The results of the stress tests are submitted to BNM on a half yearly basis.

The stress test results together with the counter measures taken are tabled for the Board's deliberation and recommendation prior to submission to BNM.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk

The Group and the Company underwrite various classes of general insurance contracts. The major classes of insurance business written are Fire, Motor, Marine, Bond and Engineering, Workmen's Compensation and Liabilities, Personal Accident and other Miscellaneous classes.

Insurance risk comprise both actuarial and underwriting risks resulting from pricing and acceptance processes and the inherent uncertainty regarding the occurrence, amount and timing of insurance liabilities. Insurance contracts transfer risks of the policyholders by indemnifying them against adverse effects arising from the occurrence of specified uncertain future events. The principal risk of the Group and of the Company under insurance contracts is that the actual claims and benefits payment differ from expectations and assumption used in the product pricing, risks that arise from fluctuations in timing, frequency and severity of claims as well as the adequacy of insurance liability reserves.

The Group and the Company are also exposed to risks arising from climate changes, natural disasters and terrorism activities. There is also inflation risk for longer tailed exposures that take some years to settle. The Group and the Company work closely with reinsurance brokers and reinsurers and have in place a prudent underwriting process. In addition, the Group's reinsurance structure, strategies and policies are reviewed annually by management and approved by the Board. Reinsurance structures are designed based on the type of risks and catastrophe cover is obtained to mitigate catastrophic exposures.

Only reinsurers with a minimum rating of A are considered and the Group and the Company limits its risks to any one reinsurer by ceding different products to different parties on its panel of reinsures. In those exceptional cases where reinsurers with ratings lower than A are considered, a simultaneous payment clause is introduced in the policy to mitigate the risk of default and concentration of exposure.

Risks under general insurance policies usually cover a twelve-month duration with the exception of marine cargo which covers the duration of the voyage and some non-annual policies such as bond and engineering, workmen's compensation, etc., with a cover period of more than one year. The risk inherent in general insurance contracts is reflected in the insurance liabilities which include the premium and claims liabilities. The premium liabilities comprise the higher of reserve for unexpired risk or unearned premium reserve while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk (Cont'd.)

The Group's and the Company's objectives of managing insurance risk are to improve the long-term financial performance of the business and to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value.

The Group's and the Company's underwriting strategy is to ensure that the risks underwritten are well diversified across the classes of insurance business and geographical areas. The variability of risks is managed by the selection and implementation of underwriting guidelines, which are designed to ensure that risks are diversified in terms of type of risks and level of insured benefits.

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

(i) The Group and the Company adopt an underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on the type of risks underwritten, underwriting capacity and authority of individuals to underwrite risks based on their specific expertise.

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

(iii) The Group and the Company purchase reinsurance protection as part of its risks mitigation programme. The objective of purchasing reinsurance is to provide capacity for the Group and the Company while protecting its financial position and optimising the Group's capital efficiency. Reinsurance is ceded on a facultative, quota share, proportional and non-proportional basis. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group and the Company substantially dependent upon any single reinsurance contract.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The table below sets out the concentration of the Group's gross and net written premium by types of product.

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	46,826	(1,895)	44,931	52,335	(2,182)	50,153
Fire	28,145	(17,220)	10,925	28,272	(16,951)	11,321
MAT	14,397	(13,632)	765	14,100	(13,242)	858
Miscellaneous	62,278	(40,395)	21,883	64,387	(40,461)	23,926
	151,646	(73,142)	78,504	159,094	(72,836)	86,258

The table below sets out the concentration of the Group's insurance contract liabilities by types of product.

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	131,308	(6,419)	124,889	145,663	(3,231)	142,432
Fire	26,621	(19,387)	7,234	22,857	(17,682)	5,175
MAT	32,617	(31,472)	1,145	32,872	(31,296)	1,576
Miscellaneous	67,086	(36,900)	30,186	77,059	(42,415)	34,644
	257,632	(94,178)	163,454	278,451	(94,624)	183,827

Key assumptions

The principal assumptions underlying the estimation of insurance contract liabilities are determined on the basis that the Group's future claims development will follow a similar pattern to past claims experience. This includes assumptions in respect of average claims costs, claims handling costs and historical claims development trend. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures, legislative changes, judicial decisions and economic conditions. The actual claims and premium liabilities are unlikely to develop exactly as projected and may vary from initial estimates.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Key assumptions (Cont'd.)

No discounting is made to the recommended claims and premium liability provisions as a prudent measure and no explicit inflation adjustment has been made to claims payable in the future. However, implicit inflation is allowed for future claims to the extent that it is evident in past claims development.

The Company has based its risk margin for adverse deviation for its URR and claim liabilities at a 75% confidence level in accordance with the requirements prescribed under the RBC Framework issued by BNM.

Sensitivities

The Group and the Company engaged an independent actuarial firm to run a sensivity analysis of the liabilities and comparison of past valuation results. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contract liabilities. The table presented below demonstrates the sensitivity of the insurance contract liabilities to a change in the assumptions used in the estimation process.

The analysis below is performed for a change in one variable with all other variables remaining constant and ignores the values of the related assets, showing the impact on gross and net liabilities, profit before tax and equity. The variables include average claim costs, average number of claims and average claims settlement period for each accident year. The impact on the Group's claim liabilities arising from changes in key variables as well as the corresponding impact on profit before tax and equity are shown in the table below and the results show that the movements are non-linear.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on * equity RM'000
		← Increase / (Decrease) →			
31 December 2016					
Average claim cost	+10%	14,474	7,217	(7,217)	(5,485)
Average number of claims	+10%	11,332	5,924	(5,924)	(4,502)
Average claims settlement period	Increased by 6 months	4,148	2,328	(2,328)	(1,770)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Sensitivities (Cont'd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on * equity RM'000
		← Increase / (Decrease) →			
31 December 2016					
Average claim cost	-10%	(14,474)	(7,217)	7,217	5,485
Average number of claims	-10%	(11,332)	(5,923)	5,923	4,502
Average claims settlement period	Decreased by 6 months	(4,027)	(2,253)	2,253	1,712
31 December 2015					
Average claim cost	+10%	14,216	6,996	(6,996)	(5,247)
Average number of claims	+10%	12,986	6,830	(6,830)	(5,122)
Average claims settlement period	Increased by 6 months	4,048	2,236	(2,236)	(1,677)
31 December 2015					
Average claim cost	-10%	(14,216)	(6,945)	6,945	5,208
Average number of claims	-10%	(12,986)	(6,777)	6,777	5,083
Average claims settlement period	Decreased by 6 months	(3,931)	(2,164)	2,164	1,623

* The effect on equity is shown after tax impact.

Claims development table

The following tables show estimated cumulative incurred claims of the Group`s motor and non-motor businesses, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies arising from the past claims development on current unpaid loss balances.

The Group and the Company believes that the estimated claim liabilities as at reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be fully assured that such balances will ultimately prove to be adequate. The disclosure on claims development aims to compare the results of past valuations to the development of actual claims and the tables below summarise the analysis of claims development in total on a net of reinsurance and gross of reinsurance basis.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2016 Claims development table - Group and Company

Analysis of Claims Development - Gross of Reinsurance (RM'000)
Total Gross Business Within Malaysia

	Accident Year								
	2009	2010	2011	2012	2013	2014	2015	2016	Total
Ultimate Claims Incurred									
At end of accident year	75,700	60,757	82,342	80,888	85,032	71,721	93,129	69,386	
One year later	73,059	57,470	79,687	79,812	89,579	68,465	97,043		
Two years later	65,399	54,668	77,393	77,431	84,380	66,708			
Three years later	64,523	49,665	73,107	75,262	82,765				
Four years later	61,899	48,525	72,252	76,293					
Five years later	59,458	48,147	71,281						
Six years later	55,386	47,799							
Seven years later	47,789								
Current estimate of cumulative claims incurred	47,789	47,799	71,281	76,293	82,765	66,708	97,043	69,386	559,064
Cumulative Claims Paid									
At end of accident year	17,963	20,195	32,702	21,118	28,730	25,115	27,209	24,781	
One year later	35,181	42,828	58,368	50,920	64,655	45,868	48,473		
Two years later	40,534	45,819	64,934	61,256	71,735	53,799			
Three years later	41,811	45,589	66,547	66,488	74,649				
Four years later	42,842	46,910	67,259	68,140					
Five years later	42,840	47,385	66,966						
Six years later	42,726	47,245							
Seven years later	42,775								
Cumulative payments to date	42,775	47,245	66,966	68,140	74,649	53,799	48,473	24,781	426,828
Direct & Fac. Inwards	5,014	554	4,315	8,153	8,116	12,909	48,570	44,605	132,236
Treaty Inwards									661
MMIP									50,735
Best Estimate of Claim Liabilities									183,632
Claim Handling Expenses									1,791
Fund PRAD at 75% Confidence Interval									12,214
Gross General Insurance Claim Liabilities									197,637

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2016 Claims development table - Group and Company (Cont'd.)

Analysis of Claims Development - Net of Reinsurance (RM'000)
Total Net Business Within Malaysia

	Accident Year								
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Ultimate Claims Incurred									
At end of accident year	35,356	35,192	37,822	43,789	53,489	47,621	47,818	48,462	
One year later	34,013	33,759	35,033	44,230	48,671	48,200	48,924		
Two years later	32,616	32,811	33,925	44,033	47,312	47,244			
Three years later	31,929	30,541	33,377	43,491	45,533				
Four years later	30,981	30,718	33,147	43,566					
Five years later	31,961	30,584	32,618						
Six years later	29,477	30,398							
Seven years later	29,276								
Current estimate of cumulative claims incurred	29,276	30,398	32,618	43,566	45,533	47,244	48,924	48,462	**326,021**
Cumulative Claims Paid									
At end of accident year	11,767	12,434	14,867	15,254	19,006	18,775	18,827	18,353	
One year later	23,003	24,605	24,017	30,241	34,116	33,736	35,238		
Two years later	26,179	26,999	28,053	38,573	38,669	38,826			
Three years later	27,354	28,311	29,846	40,529	40,729				
Four years later	28,353	29,520	30,426	41,410					
Five years later	28,444	30,013	30,447						
Six years later	28,433	29,985							
Seven years later	28,445								
Cumulative payments to date	28,445	29,985	30,447	41,410	40,729	38,826	35,238	18,353	**263,433**
Direct & Fac. Inwards	831	413	2,171	2,156	4,804	8,418	13,686	30,109	**62,588**
Treaty Inwards									**661**
MMIP									**50,735**
Best Estimate of Claim Liabilities									**113,984**
Claim Handling Expenses									**1,791**
Fund PRAD at 75% Confidence Interval									**5,823**
Net General Insurance Claim Liabilities									**121,598**

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2015 Claims development table - Group and Company

Analysis of Claims Development - Gross of Reinsurance (RM'000)
Total Gross Business Within Malaysia

	Accident Year								
	2008	2009	2010	2011	2012	2013	2014	2015	Total
Ultimate Claims Incurred									
At end of accident year		75,700	60,757	82,342	80,888	85,032	71,721	93,129	
One year later	45,379	73,059	57,470	79,687	79,812	89,579	68,465		
Two years later	40,885	65,399	54,668	77,393	77,431	84,380			
Three years later	40,412	64,523	49,665	73,107	75,262				
Four years later	39,347	61,899	48,525	72,252					
Five years later	38,116	59,458	48,147						
Six years later	37,571	55,386							
Seven years later	39,278								
Current estimate of cumulative claims incurred	39,278	55,386	48,147	72,252	75,262	84,380	68,465	93,129	536,299
Cumulative Claims Paid									
At end of accident year	18,211	17,963	20,195	32,702	21,118	28,730	25,115	27,209	
One year later	31,935	35,181	42,828	58,368	50,920	64,655	45,868		
Two years later	34,950	40,534	45,819	64,934	61,256	71,735			
Three years later	36,184	41,811	45,589	66,547	66,488				
Four years later	36,608	42,842	46,910	67,259					
Five years later	36,756	42,840	47,385						
Six years later	36,828	42,726							
Seven years later	38,023								
Cumulative payments to date	38,023	42,726	47,385	67,259	66,488	71,735	45,868	27,209	406,693
Direct & Fac. Inwards	1,255	12,660	762	4,993	8,774	12,645	22,597	65,920	129,606
Treaty Inwards									68,591
Best Estimate of Claim Liabilities									198,197
Claim Handling Expenses									1,770
Fund PRAD at 75% Confidence Interval									12,856
Gross General Insurance Claim Liabilities									212,823

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2015 Claims development table - Group and Company (Cont'd.)

Analysis of Claims Development - Net of Reinsurance (RM'000)
Total Net Business Within Malaysia

	Accident Year								
	2008	2009	2010	2011	2012	2013	2014	2015	Total
Ultimate Claims Incurred									
At end of accident year	26,536	35,356	35,192	37,822	43,789	53,489	47,621	47,818	
One year later	24,693	34,013	33,759	35,033	44,230	48,671	48,200		
Two years later	23,990	32,616	32,811	33,925	44,033	47,312			
Three years later	23,776	31,929	30,541	33,377	43,491				
Four years later	23,224	30,981	30,718	33,147					
Five years later	22,642	31,961	30,584						
Six years later	22,420	29,477							
Seven years later	22,660								
Current estimate of cumulative claims incurred	22,660	29,477	30,584	33,147	43,491	47,312	48,200	47,818	302,689
Cumulative Claims Paid									
At end of accident year	10,912	11,767	12,434	14,867	15,254	19,006	18,775	18,827	
One year later	18,623	23,003	24,605	24,017	30,241	34,116	33,736		
Two years later	20,825	26,179	26,999	28,053	38,573	38,669			
Three years later	21,801	27,354	28,311	29,846	40,529				
Four years later	21,968	28,353	29,520	30,426					
Five years later	22,074	28,444	30,013						
Six years later	22,131	28,433							
Seven years later	22,249								
Cumulative payments to date	22,249	28,433	30,013	30,426	40,529	38,669	33,736	18,827	242,882
Direct & Fac. Inwards	411	1,044	571	2,721	2,962	8,643	14,464	28,991	59,807
Treaty Inwards									68,591
Best Estimate of Claim Liabilities									128,398
Claim Handling Expenses									1,770
Fund PRAD at 75% Confidence Interval									5,798
Net General Insurance Claim Liabilities									135,966

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks

The Group and the Company is exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk and operational risk that arise in the normal course of business. The Group and the Company's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential exposures to adverse effects on its financial performance and positions.

The Group and the Company is guided by financial risk management policies and guidelines which set out the overall business strategies and the general risk management philosophy and processes. The Group has established internal processes to monitor the risks on an ongoing basis and support the development of Group's business.

(i) Credit risk

Credit risk is the potential financial loss resulting from the failure of counterparties such as, customers, intermediaries or counterparties to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's primary exposure to credit risk arises through its investment in fixed income securities, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts. The Group and the Company have put in place investment guidelines and credit policies as part of its overall credit risk management framework. The Group and the Company manages individual exposures as well as concentration of credit risks. At end of the reporting period, there were no significant concentration of credit risks.

Evaluation of an issuer's credit risk is undertaken by the Investment Unit within the Accounts and Finance Department. The Group and the Company uses the ratings assigned by external rating agencies to assess issuer's credit risk. Monitoring of credit and concentration risk is carried out by the Accounts and Finance Department which reports to the Investment Committee and the Board of Directors.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Cash and deposits are generally placed with financial institutions licensed under the Financial Services Act 2013, which are regulated by BNM.

Cash and deposits are generally placed with financial institutions licensed under the Financial Services Act 2013, which are regulated by BNM.

Receivables arising from insurance and reinsurance contracts are monitored by the Credit Control Unit within the Accounts and Finance Department to ensure adherence to the Group's credit policy. As part of the overall risk management strategy, the Group and the Company cedes insurance risk through facultative, quota share, proportional and non-proportional treaty reinsurance arrangements to mitigate concentration and overexposure of risks. The Group and the Company introduced the simultaneous payment clause in the policy when the proportion of any one or more foreign reinsurers' share of participation is deemed significant.

The Group and the Company monitor the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting its reinsurers, the Group and the Company considers their relative financial security, rating and mitigates concentration of risk by having a panel of reinsures. The security of the reinsurer is assessed based on public rating information and annual reports.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) **Credit risk (Cont'd.)**

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Group	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2016									
Investments:									
Financial Assets at FVTPL	30,570,364	63,634,868	2,345,514	-	5,315,645	-	9,541,125	83,048,161	194,455,677
AFS financial assets	16,924,700	32,062,218	11,114,403	-	976,250	1	3,036,675	-	64,114,247
Reinsurance assets	-	2,139,480	29,759,805	58,658,978			3,619,667	-	94,177,930
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	-	-	-	66,630,238	-	66,630,238
Fixed and call deposits	-	-	-	57,187,242	-	-	39,000,000	-	96,187,242
Insurance receivables	-	-	244	17,910,248	-	-	148,983	-	18,059,475
Cash and bank balances	-	-	-	12,081,869	-	-	-	-	12,081,869
	47,495,064	97,836,566	43,219,966	145,838,337	6,291,895	1	121,976,688	83,048,161	545,706,678

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Group

	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015									
Investments:									
Financial Assets at FVTPL	34,627,625	82,001,668	303,117	-	1,011,540	-	-	67,502,198	185,446,148
AFS financial assets	11,923,250	45,739,470	7,449,160	-	958,400	1	1,984,850	-	68,055,131
Reinsurance assets	-	2,159,500	33,340,625	54,255,553	-	-	4,868,597	-	94,624,275
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	-	-	-	77,967,958	-	77,967,958
Fixed and call deposits	-	-	-	55,791,794	-	-	39,000,000	-	94,791,794
Insurance receivables	-	-	-	24,502,006	-	-	203,940	-	24,705,946
Cash and bank balances	-	-	-	12,302,801	-	-	-	-	12,302,801
	46,550,875	129,900,638	41,092,902	146,852,154	1,969,940	1	124,025,345	67,502,198	557,894,053

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)
Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Company	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2016									
Investments:									
Financial Assets at FVTPL	-	-	-	-	-	-	-	83,048,161	83,048,161
AFS financial assets	16,924,700	32,062,218	11,114,403	-	976,250	1	3,036,675	125,141,372	189,255,619
Reinsurance assets	-	2,139,480	29,759,805	58,658,978	-	-	3,619,667	-	94,177,930
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	-	-	-	65,284,649	-	65,284,649
Fixed and call deposits	-	-	-	41,834,200	-	-	39,000,000	-	80,834,200
Insurance receivables	-	-	244	17,910,248	-	-	148,983	-	18,059,475
Cash and bank balances	-	-	-	11,490,239	-	-	-	-	11,490,239
	16,924,700	34,201,698	40,874,452	129,893,665	976,250	1	111,089,974	208,189,533	542,150,273

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Company

	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015									
Investments:									
Financial Assets at FVTPL	-	-	-	-	-	-	-	67,502,198	67,502,198
AFS financial assets	11,923,250	45,739,470	7,449,160	-	958,400	1	1,984,851	120,106,649	188,161,781
Reinsurance assets	-	2,159,500	33,340,625	54,255,553	-	-	4,868,597	-	94,624,275
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	-	-	-	76,702,646	-	76,702,646
Fixed and call deposits	-	-	-	51,922,056	-	-	39,000,000	-	90,922,056
Insurance receivables	-	-	-	24,502,006	-	-	203,940	-	24,705,946
Cash and bank balances	-	-	-	11,881,832	-	-	-	-	11,881,832
	11,923,250	47,898,970	40,789,785	142,561,447	958,400	1	122,760,034	187,608,847	554,500,734

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) **Credit risk (Cont'd.)**

Credit exposure by credit quality

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

Group	Malayisan Licensed Financial Institutions/Insurers					
	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not rated RM	Not Subject to Credit risk RM	Total RM
31 December 2016						
Financial Assets at FVTPL	101,866,391	-	-	9,541,125	83,048,161	194,455,677
AFS financial assets	61,077,572	-	-	3,036,675	-	64,114,247
Reinsurance assets	31,899,285	58,658,978	-	3,619,667	-	94,177,930
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	66,630,238	-	66,630,238
Fixed and call deposits	-	57,187,242	-	39,000,000	-	96,187,242
Insurance receivables	244	17,010,526	899,722	148,983	-	18,059,475
Cash and bank balances	-	12,081,869	-	-	-	12,081,869
	194,843,492	144,938,615	899,722	121,976,688	83,048,161	545,706,678

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) **Credit risk (Cont'd.)**

Credit exposure by credit quality

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

Group	Malayisan Licensed Financial Institutions/Insurers					
	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015						
Financial Assets at FVTPL	117,943,950	-	-	-	67,502,198	185,446,148
AFS financial assets	66,070,281	-	-	1,984,850	-	68,055,131
Reinsurance assets	35,500,125	54,255,553	-	4,868,597	-	94,624,275
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	77,967,958	-	77,967,958
Fixed and call deposits	-	55,791,794	-	39,000,000	-	94,791,794
Insurance receivables	-	17,159,510	7,342,496	203,940	-	24,705,946
Cash and bank balances	-	12,302,801	-	-	-	12,302,801
	219,514,356	139,509,658	7,342,496	124,025,345	67,502,198	557,894,053

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality (Cont'd.)

Company

	Malayisan Licensed Financial Institutions/Insurers					
	Investment grade RM	Neither past due nor impaired RM	Past due RM	Not rated RM	Not Subject to Credit risk RM	Total RM
31 December 2016						
AFS financial assets	61,077,572	-	-	3,036,675	125,141,372	189,255,619
Reinsurance assets	31,899,285	58,658,978	-	3,619,667	-	94,177,930
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	65,284,649	-	-
Fixed and call deposits	-	41,834,200	-	39,000,000	-	80,834,200
Insurance receivables	244	17,010,526	899,722	148,983	-	18,059,475
Cash and bank balances	-	11,490,239	-	-	-	11,490,239
	92,977,101	128,993,943	899,722	111,089,974	125,141,372	393,817,463
31 December 2015						
AFS financial assets	66,070,281	-	-	1,984,851	120,106,649	188,161,781
Reinsurance assets	35,500,125	54,255,553	-	4,868,597	-	94,624,275
Loans and other receivables, excluding fixed and call deposits and prepayments	-	-	-	76,702,646	-	-
Fixed and call deposits	-	51,922,056	-	39,000,000	-	90,922,056
Insurance receivables	-	16,213,621	7,342,496	203,940	-	23,760,057
Cash and bank balances	-	11,881,832	-	-	-	11,881,832
	101,570,406	134,273,062	7,342,496	122,760,034	120,106,649	409,350,001

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28 RISK MANAGEMENT FRAMEWORK (CONT'D.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality (Cont'd.)

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount falls due. The table below provides the financial assets past due at the balance sheet date.

Group/Company

	Past due but not impaired				
	Months 6-12 RM	More than 12 months RM	Total* RM	Past due and impaired RM	Total RM
2016					
Insurance receivable	704,079	195,643	899,722	3,080,793	3,980,515
2015					
Insurance receivable	4,657,434	2,685,062	7,342,496	2,962,690	10,305,186

* Reflects the nominal amounts of impaired balances.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company may not have sufficient liquid financial resources to meet their obligations when they fall due or any sudden or unplanned increase in demand for payment. In respect of catastrophic event, there is also a liquidity risk associated with the timing of recoveries between gross cash outflows and expected reinsurance recoveries. As part of the Group's policy on liquidity management, sufficient levels of financial resources are maintained to meet expected liquidity needs under normal and stressed conditions.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

The Group and the Company have established a Group and a Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Management as soon as possible. The Investment Committee, assisted by Management, are responsible for liquidity management based on guidelines approved by the Board.

There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of its liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet expected and unexpected payments and funding needs. In the event that there are unexpected outflows beyond the normal and stressed conditions, the Group and Company can still uplift the cash and fixed deposits to meet the funding needs.

The Group's treaty reinsurance contracts contain a "cash call" clause permitting the Group and the Company to make cash calls on claims and receive immediate payment for large losses without waiting for the usual periodic payment procedures that will mitigate and ease the funding needs for payment of large claims.

Maturity profiles

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

The maturity groupings for AFS and FVTPL financial assets which are debt instruments follow the maturity date of the instruments.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (cont'd.)

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as these are not contractual obligations.

Group		← Maturity Period				→		
	Carrying value RM	Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2016								
Financial assets at FVTPL	194,455,677	11,047,280	54,656,560	22,957,435	49,471,295	6,074,900	83,048,161	227,255,631
AFS financial assets	64,114,247	4,227,110	20,008,580	15,158,875	42,476,700	3,931,075	-	85,802,340
Reinsurance assets	76,038,294	60,810,300	13,017,671	1,584,656	625,667	-	-	76,038,294
Loans and receivables, excluding fixed and call deposits and prepayments	66,851,251	42,380,943	19,703,964	4,431,115	335,229	-	-	66,851,251
Fixed and call deposits	96,187,242	97,157,949	-	-	-	-	-	97,157,949
Insurance receivables	18,059,475	18,059,475	-	-	-	-	-	18,059,475
Cash and bank balances	12,081,869	12,081,869	-	-	-	-	-	12,081,869
Total assets	527,788,055	245,764,926	107,386,775	44,132,081	92,908,891	10,005,975	83,048,161	583,246,809
Insurance contract liabilities	197,636,631	127,064,449	57,502,697	11,224,802	1,844,683	-	-	197,636,631
Other financial liabilities	34,890,422	15,839,288	15,703,449	3,725,480	-	-	-	35,268,217
Insurance payables	20,949,758	20,949,758	-	-	-	-	-	20,949,758
Other payables	5,681,233	5,681,233	-	-	-	-	-	5,681,233
Total liabilities	259,158,044	169,534,728	73,206,146	14,950,282	1,844,683	-	-	259,535,839

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as these are not contractual obligations.

Group		←		Maturity Period		→		
	Carrying value RM	Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2015								
Financial assets at FVTPL	185,446,148	23,991,565	54,944,932	37,219,405	17,634,750	-	67,502,198	201,292,850
AFS financial assets	68,055,131	10,601,160	11,066,040	23,558,475	45,497,425	1,060,500	-	91,783,600
Reinsurance assets	76,858,841	55,773,530	19,452,511	1,345,765	287,035	-	-	76,858,841
Loans and receivables, excluding fixed and call deposits and prepayments	77,967,958	47,149,839	24,056,574	6,080,304	681,241	-	-	77,967,958
Fixed and call deposits	94,791,794	98,301,920	-	-	-	-	-	98,301,920
Insurance receivables	24,705,946	24,705,946	-	-	-	-	-	24,705,946
Cash and bank balances	12,302,801	12,302,801	-	-	-	-	-	12,302,801
Total assets	540,128,619	272,826,761	109,520,057	68,203,949	64,100,451	1,060,500	67,502,198	583,213,916
Insurance contract liabilities	212,823,509	122,657,404	73,670,878	13,843,977	2,651,250	-	-	212,823,509
Other financial liabilities	36,207,219	14,254,887	21,263,348	1,074,382	-	-	-	36,592,617
Insurance payables	31,376,851	31,376,851	-	-	-	-	-	31,376,851
Other payables	5,568,652	5,568,652	-	-	-	-	-	5,568,652
Total liabilities	285,976,231	173,857,794	94,934,226	14,918,359	2,651,250	-	-	286,361,629

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (cont'd.)

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as these are not contractual obligations.

Company		Maturity Period						
	Carrying value RM	Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2016								
Financial assets at FVTPL	83,048,161	-	-	-	-	-	83,048,161	83,048,161
AFS financial assets	189,255,619	129,368,482	20,008,580	15,158,875	42,476,700	3,931,075	-	210,943,712
Reinsurance assets	76,038,294	60,810,300	13,017,671	1,584,656	625,667	-	-	76,038,294
Loans and receivables, excluding fixed and call deposits and prepayments	65,284,649	40,814,341	19,703,964	4,431,115	335,229	-	-	65,284,649
Fixed and call deposits	80,834,200	81,799,027	-	-	-	-	-	81,799,027
Insurance receivables	18,059,475	18,059,475	-	-	-	-	-	18,059,475
Cash and bank balances	11,490,239	11,490,239	-	-	-	-	-	11,490,239
Total assets	524,010,637	342,341,864	52,730,215	21,174,646	43,437,596	3,931,075	83,048,161	546,663,557
Insurance contract liabilities	197,636,631	127,064,449	57,502,697	11,224,802	1,844,683	-	-	197,636,631
Other financial liabilities	34,890,422	15,839,288	15,703,449	3,725,480	-	-	-	35,268,217
Insurance payables	20,949,758	20,949,758	-	-	-	-	-	20,949,758
Other payables	5,597,293	5,597,293	-	-	-	-	-	5,597,293
Total liabilities	259,074,104	169,450,788	73,206,146	14,950,282	1,844,683	-	-	259,451,899

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as these are not contractual obligations.

Company		← Maturity Period				→		
	Carrying value RM	Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2015								
Financial assets at FVTPL	67,502,198	-	-	-	-	-	67,502,198	67,502,198
AFS financial assets	188,161,781	130,707,810	11,066,040	23,558,475	45,497,425	1,060,500	-	211,890,250
Reinsurance assets	76,858,841	55,773,530	19,452,511	1,345,765	287,035	-	-	76,858,841
Loans and receivables, excluding fixed and call deposits and prepayments	76,702,646	45,884,527	24,056,574	6,080,304	681,241	-	-	76,702,646
Fixed and call deposits	90,922,056	94,261,817	-	-	-	-	-	94,261,817
Insurance receivables	24,705,946	24,705,946	-	-	-	-	-	24,705,946
Cash and bank balances	11,881,832	11,881,832	-	-	-	-	-	11,881,832
Total assets	536,735,300	363,215,462	54,575,125	30,984,544	46,465,701	1,060,500	67,502,198	563,803,530
Insurance contract liabilities	212,823,509	122,657,404	73,670,878	13,843,977	2,651,250	-	-	212,823,509
Other financial liabilities	36,207,219	14,254,887	21,263,348	1,074,382	-	-	-	36,592,617
Insurance payables	31,376,851	31,376,851	-	-	-	-	-	31,376,851
Other payables	5,495,495	5,495,495	-	-	-	-	-	5,495,495
Total liabilities	285,903,074	173,784,637	94,934,226	14,918,359	2,651,250	-	-	286,288,472

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/profit yield risk) and market prices (price risk).

The Group and the Company have policies and limits to manage market risk through portfolio diversification and asset allocation. The Group's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's investment policy after taking into consideration the requirements of maintenance of liquidity, assets and solvency for RBC purposes. Compliance with the policy is monitored and reported periodically to the Investment Committee and Board.

(iv) Currency risk

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

The Company does not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some reinsurance premiums that are paid in foreign currencies. The payment of reinsurance premium in foreign currencies are not hedged as these are paid in USD equivalent based on the prevailing exchange rates at the time of payment.

Due to insignificant exposure to foreign currencies, these currency risk have no significant impact on the financial position and/or the income statements.

(v) Interest rate/profit yield risk

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

The Group and the Company are exposed to interest rate risk primarily through investments in fixed income securities. As the wholesale unit trust funds invest mainly in Corporate Debt Securities and Malaysian Government Securities, the net asset value ("NAV") of the funds reported by the Fund Managers would also be sensitive to interest rate movements. The impact of changes in interest rates to the fair value of investments held by the Group and the Company are as shown in the table below.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(v) Interest rate/profit yield risk (cont'd.)

	Group				
Increase in interest rates	**1.00% RM'000**	**1.25% RM'000**	**1.50% RM'000**	**1.75% RM'000**	**2.00% RM'000**
2016					
Decrease in AFS reserve	2,551	3,154	3,745	4,323	4,889
Decrease in profit and loss after taxation/equity	3,685	4,558	5,412	6,247	7,066
2015					
Decrease in AFS reserve	2,676	3,308	3,926	4,532	5,122
Decrease in profit and loss after taxation/equity	2,414	3,000	3,579	4,151	4,716

	Company				
Increase in interest rates	**1.00% RM'000**	**1.25% RM'000**	**1.50% RM'000**	**1.75% RM'000**	**2.00% RM'000**
2016					
Decrease in AFS reserve	2,551	3,154	3,745	4,323	4,889
2015					
Decrease in AFS reserve	2,676	3,308	3,926	4,532	5,122

An equivalent decrease in interest rates shown above would result in an equivalent, but opposite impact.

(vi) Price risk

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

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

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(vi) Price risk (cont'd.)

The Group and the Company are exposed to price risk arising from investments in quoted equities and unit trust funds held by the Group and the Company and which are classified in the statements of financial position as either FVTPL or AFS financial assets.

The analysis below is performed for reasonably possible movements in equity prices and the NAV of unit trust fund prices with all other variables held constant, showing the impact on the profit and loss and to equity.

Group/Company

		31 December 2016		31 December 2015	
	Changes in variable	Impact on income statement RM	Impact on equity* RM	Impact on income statement RM	Impact on equity* RM
Equity prices	+25%	19,087,693	14,506,647	15,493,683	11,620,262
Equity prices	-25%	(19,087,693)	(14,506,647)	(15,493,683)	(11,620,262)
NAV of funds ^	+2%	133,948	101,800	110,549	82,912
NAV of funds ^	-2%	(133,948)	(101,800)	(110,549)	(82,912)

* Impact on equity is shown after tax impact.

^ Does not include impact on wholesale unit trust funds as the key risk affecting the value of such funds is interest rate/profit yield risk.

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

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(vii) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can potentially impact partly or fully the achievement of the Group's objectives and cause damage to reputation, have legal or regulatory implications or lead to financial losses.

The Group and the Company cannot expect to eliminate all operational risks but mitigates them by maintaining a comprehensive internal control framework and by monitoring and promptly responding to potential risks. Controls include segregation of duties, access controls, multi-level and combination of authorisation, reconciliation procedures, staff training, effective communication and evaluation procedures, including the use of internal audit, compliance and risk management processes. Business risk, such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

The Group and the Company's operational and business units are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. These units are responsible and have in place policies and operational manuals to ensure that activities undertaken comply with the Group's operational risk management framework and oversight by the RMWG, RMC, Investment Committee, AEC and the Board.

The internal audit team reviews the effectiveness of the internal control system and their continued relevance and reports to the AEC and it's recommendations are tabled for Board's deliberation.

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29. FAIR VALUE ESTIMATION

As at 31 December 2016, the fair value of the Group's and Company's assets are as follows:

Group	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold office lots	7,742,000	-	-	7,742,000	7,742,000
Long-term leasehold office lot	5,282,200	-	-	5,282,200	5,282,200
	13,024,200	-	-	13,024,200	13,024,200
AFS financial assets:					
Malaysian Government Securities	976,250	-	976,250	-	976,250
Corporate debt securities	63,137,997	-	63,137,997	-	63,137,997
	64,114,247	-	64,114,247	-	64,114,247
Financial assets at FVTPL:					
Corporate debt securities	111,407,516	-	111,407,516	-	111,407,516
Unit trust funds	6,697,390	6,697,390	-	-	6,697,390
Equity securities	76,350,771	76,350,771	-	-	76,350,771
	194,455,677	83,048,161	111,407,516	-	194,455,677

29. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2016, the fair value of the Group's and Company's assets are as follows: (cont'd.)

	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Company					
Property and equipment:					
Freehold office lots	7,742,000	-	-	7,742,000	7,742,000
Long-term leasehold office lot	5,282,200	-	-	5,282,200	5,282,200
	13,024,200	-	-	13,024,200	13,024,200
AFS financial assets:					
Malaysian Government Securities	976,250	-	976,250	-	976,250
Corporate debt securities	63,137,997	-	63,137,997	-	63,137,997
Wholesale unit trust funds	125,141,372	125,141,372	-	-	125,141,372
	189,255,619	125,141,372	64,114,247	-	189,255,619
Financial assets at FVTPL:					
Unit trust funds	6,697,390	6,697,390	-	-	6,697,390
Equity securities	76,350,771	76,350,771	-	-	76,350,771
	83,048,161	83,048,161	-	-	83,048,161

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29. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2015, the fair value of the Group's and Company's assets are as follows:

Group	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold office lots	5,850,000	-	-	5,850,000	5,850,000
Long-term leasehold office lot	3,231,000	-	-	3,231,000	3,231,000
	9,081,000	-	-	9,081,000	9,081,000
AFS financial assets:					
Malaysian Government Securities	958,400	-	958,400	-	958,400
Corporate debt securities	67,096,731	-	67,096,731	-	67,096,731
	68,055,131	-	68,055,131	-	68,055,131
Financial assets at FVTPL:					
Corporate debt securities	117,943,950	-	117,943,950	-	117,943,950
Unit trust funds	5,527,467	5,527,467	-	-	5,527,467
Equity securities	61,974,731	61,974,731	-	-	61,974,731
	185,446,148	67,502,198	117,943,950	-	185,446,148

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29. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2015, the fair value of the Group's and Company's assets are as follows: (cont'd.)

	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Company					
Property and equipment:					
Freehold office lots	5,850,000	-	-	5,850,000	5,850,000
Long-term leasehold office lot	3,231,000	-	-	3,231,000	3,231,000
	9,081,000	-	-	9,081,000	9,081,000
AFS financial assets:					
Malaysian Government Securities	958,400	-	958,400	-	958,400
Corporate debt securities	67,096,731	-	67,096,731	-	67,096,731
Wholesale unit trust funds	120,106,650	120,106,650	-	-	120,106,650
	188,161,781	120,106,650	68,055,131	-	188,161,781
Financial assets at FVTPL:					
Unit trust funds	5,527,467	5,527,467	-	-	5,527,467
Equity securities	61,974,731	61,974,731	-	-	61,974,731
	67,502,198	67,502,198	-	-	67,502,198

29. FAIR VALUE ESTIMATION (CONT'D.)

For investments in unit trust funds, fair value is determined by reference to published net asset values, while the fair values of equity securities are obtained from Bursa Malaysia. All of which are regarded as Level 1, using prices quoted in an active market.

The fair values of Malaysian Government Securities and corporate debts securities is obtained from Bond Pricing Agency Malaysia ("BPAM"). These financial instruments are regarded as Level 2, as the significant inputs are observable.

For property and equipment, the fair value is obtained from valuations as performed by the external valuers using the comparison method and are regarded as Level 3, as the significant inputs are not observable.

The following table present the reconciliation for property and equipment measured at fair value based on significant unobservable inputs (Level 3):

	2016 RM'000	2015 RM'000
Opening balance	9,081,000	10,098,000
Surplus on revaluation recognise in property revaluation reserve	3,200,000	-
Accumulated depreciation transferred to property revaluation reserve	1,109,900	-
Depreciation charge for the year	(366,700)	(1,017,000)
Closing balance	13,024,200	9,081,000

There were no changes in classification of assets under Level 1 and Level 2 of the fair value hierarchy.

The following financial assets and liabilities are not carried at fair values, but their carrying values approximate fair values as they are short term in nature or the impact of discounting is not material:

- Loans and receivables (that are classified as financial instruments)
- Insurance receivables
- Cash and bank balances
- Other financial liabilities
- Insurance payables
- Other payables (that are classified as financial instruments)

30. SUBSEQUENT EVENT

Based on a complaint by the Federation Of Automobile Workshop Owners' Association Of Malaysia (FAWOAM), on 10 August 2016, the Malaysia Competition Commission (MyCC) commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia (PIAM) and all 22 general insurers including Progressive Insurance Berhad (PIB) in respect of Section 4(2)(a) of the Competition Act 2010 ("CA 2010"). The MYCC alleged that PIAM and all 22 general insurers fixed the parts trade discount rates at 25% for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme. These rates were applied by PIB pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia's (BNM) directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rates.

On 22 February 2017, MYCC had issued a proposed decision against PIAM and 22 of its members for the alleged infringement of the CA. The Proposed Decision includes proposed financial penalties on all the 22 general insurers, including PIB. The Proposed Decision included in the notice against PIB amounted to RM 1,369,585. Up to the date of this report, the Proposed Decision is not finalised and PIB in consultation with its legal advisers will take such appropriate actions to defend its position that it has not infringed Section 4(2)(a) of the CA 2010. On March 1, 2017 Bank Negara Malaysia issued a press statement confirming that the arrangement which is the subject of MYCC's proposed decision was put in place in response to a clear directive from Bank Negara Malaysia to the general insurers in 2011.

31. REGULATORY CAPITAL REQUIREMENTS

The Company is required to comply with the mandatory capital requirement's prescribed in the RBC Framework which is prescibed in BNM/RH/GL 003-24: Risk-Based Capital Framework for Insurers issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130% and the Group and the Company has a capital adequacy ratio in excess of the minimum requirement.

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

	2016 RM	2015 RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings	129,230,444	113,777,109
Tier 2 Capital		
Eligible reserves	7,246,446	3,618,339
	236,476,890	217,395,448
Amount deducted from capital	(442,489)	(1,005,545)
Total capital available	236,034,401	216,389,903