

BERJAYA SOMPO INSURANCE BERHAD
(62605-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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BERJAYA SOMPO INSURANCE BERHAD
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CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("The Board") of Berjaya Sampo Insurance Berhad ("The Company") supports the Malaysian Code on Corporate Governance. The Board acknowledges the importance of good corporate governance in discharging its duties and responsibilities, ensuring the affairs of the Company is conducted with integrity and professionalism to safeguard the Company's assets and to enhance shareholders' value and financial performance of the Company.

As an insurance company licensed by the Minister of Finance on the recommendation of the Bank Negara Malaysia ("BNM"). The Financial Services Act 2013 ("FSA 2013") empowers BNM to exercise oversight on insurers for the purpose of promoting financial soundness of a licensed person.

The Company has complied with all the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under the FSA, Companies Act 2016 ("CA 2016") and Policy Document on Corporate Governance issued by BNM.

The Board

The Board is responsible for the overall governance of the Company by ensuring the strategic guidance and succession plan, internal control, risk management and reporting procedure are in place. The Board exercise due diligence and care in discharging its duties and responsibilities to ensure compliance with relevant rules and regulations, directives and guidelines in addition to adopting best practices and act in the best interest of its shareholders.

Board Charter

The Board Charter sets out the Board's composition, roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles of corporate governance prescribed in the Corporate Governance Policy Document ("CGPD") issued by BNM and also serves as a reference to all stakeholders. The Board regularly reviews the Charter to ensure it remains consistent and relevance to the Board's objectives and responsibilities, and all regulations/laws in connection thereto.

Composition of the Board

The names of the Directors and Chief Executive Officer of the Company in office since the beginning of the financial year and appointed during the year to the date of this report are:

Name of Directors and Chief Executive Officer

Azhar Bin Mohamad (INED/Chairman)

Dato' Loh Lye Ngok (NIED) - resigned as CEO on 15 March 2017

Katsuyuki Tajiri (NIED)

Datuk Yong Bun Fou (INED)

Ahmad Subri Bin Abdullah (INED) - appointed on 25 January 2017

Dato' Sri Robin Tan Yeong Ching (NINED) - resigned on 15 May 2017

Tan Sri Dr. Ong Hong Peng (INED) - appointed on 17 July 2017

Tan Chong Liong (NINED) - appointed on 20 July 2017

Tan Sek Kee (CEO) - appointed on 15 March 2017

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

Composition of the Board (Cont'd)

The Board comprises of four (4) Independent Non-Executive Directors ("INED"), One (1) Non-Independent Non-Executive Director ("NINED") and Two (2) Non-Independent Executive Directors ("NIED").

Roles and Responsibilities of the Board

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party and in compliance with applicable laws which includes FSA 2013, CA 2016 and any guidelines, directives or policy documents issued by BNM as well as its Articles and Memorandum of Association ("Constitution"). This includes a consideration of the long-term implications of the Board's decisions on the Company and its customers, officers and the general public.

In fulfilling this role, the Board shall be responsible for, among others, the following:—

- To approve the risk appetite, business plans and other initiatives which will, singularly or cumulatively, have a material impact on the Company's risk profile;
- To oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- To oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- To promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- To promote sustainability through appropriate environmental, social and governance considerations in the Company business strategies;
- To oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- To promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The following are the profiles of the Directors and Chief Executive Officer of the Company:

AZHAR BIN MOHAMAD
CHAIRMAN/INDEPENDENT NON-EXECUTIVE DIRECTOR

Azhar bin Mohamad, aged 53, was appointed to the Board of the Company on 14 March 2013 and appointed as Chairman of the Company on 7 October 2016. Presently, Azhar serves as a member of the Investment Committee, Risk Management Committee and Audit Committees of the Company.

Azhar holds a Bachelor Degree in Accounting and Finance from the Lancaster University, United Kingdom, and a Master Degree in Law (Business Law Executive) from the International Islamic University, Malaysia. He is a member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants. He also holds a Capital Markets Services Representative's License for advising on corporate finance matters from the Securities Commission Malaysia.

Azhar started his career in merchant banking and corporate planning. He subsequently joined the Securities Commission Malaysia, with his last position as Head of Securities Issues Department.

Directorship in other companies

1. MainStreet Advisers Sdn Bhd
2. Turbo-Mech Berhad

Training attended during the financial year

1. Companies Act 2016 and its implications on Capital Market.
2. Impact of M-Commerce on Capital Market services industry.
3. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)

DATO' LOH LYE NGOK
NON-INDEPENDENT EXECUTIVE DIRECTOR

Dato' Loh Lye Ngok, aged 65, joined the Company in 1989 and was appointed to the Board on 25 May 2000. Dato' Loh also serves as a member of the Nomination Committee and Investment Committee of the Company.

From 1989 to 2000, Dato' Loh was the Deputy General Manager before he assumed the position as the Chief Executive Officer in 2000 till March 2017.

In his 28 years with the company, Dato' Loh positioned and built the Company into one of the leading General Insurance Providers in the Malaysian Insurance Industry; notably, Dato' Loh initiated and led the strategic joint venture exercise between Sampo Japan Insurance Inc., and Berjaya Capital Berhad, which culminated in the formation of the Company.

Dato' Loh began his career in the insurance industry in 1976 with a 13 year stint at East West Insurance Berhad ("EWIB"), culminating in his arrival at the Company. Throughout his tenure at EWIB, Dato' Loh honed his skills and expertise in multiple aspects of the insurance business, developing a holistic perspective on the local and international insurance markets. In 1984, Dato' Loh became the first Malaysian staff appointed to manage East West Insurance (UK) Ltd.

Dato' Loh also serves as the Director of ISM Insurance Services Malaysia Berhad.

Training attended during the financial year

1. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

DATUK YONG BUN FOU
INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Yong Bun Fou, aged 63, was appointed to the Board of the Company on 9 June 2016. Presently, Datuk Yong serves as the Chairman of the Audit Committee of the Company. He also serves as a member of the Nomination Committee, Remuneration Committee and Investment Committee of the Company.

Datuk Yong holds a Master Degree in Economics from the Yamaguchi University, Japan.

Datuk Yong had served as the Assistant Secretary, Tax Analysis Division in the Ministry of Finance ("MOF") and rose to the rank of Deputy Secretary in 2012. He was then posted to the Ministry of Housing, Urban Wellbeing and Local Government as the Deputy Secretary General (Policy Department) where he ended his career in March 2015.

Training attended during the financial year

1. FIDE Core Programme - Insurance (Module A & B)
2. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D)

AHMAD SUBRI BIN ABDULLAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ahmad Subri bin Abdullah, aged 69, was appointed to the Board of the Company on 25 January 2017. Presently, Encik Ahmad Subri serves as the Chairman of the Risk Management Committee of the Company. He also serves as a member of the Nomination Committee, Remuneration Committee and Audit Committee of the Company.

Ahmad Subri brings with him over 30 years of experience in the financial services industry; with almost 20 years as Chief Executive Officer of various insurance companies such as Amanah Insurance Berhad, Malaysia Cooperative Insurance Society Berhad, Mayban Life Assurance Berhad and Malaysia National Insurance Berhad.

He had also served as Chairman of the General Insurance Association of Malaysia and Chairman of the Insurance Mediation Bureau of Malaysia.

Ahmad Subri qualified as a Fellow of the Chartered Insurance Institute, United Kingdom and is a Fellow of the Malaysian Insurance Institute. Prior to his return to Malaysia in 1980, he was trained and worked in London for more than 7 years.

Currently Ahmad Subri sits on the Board of a number of private and public companies in Malaysia.

Directorship in other companies

1. Agensi Pekerjaan Globesoft Services Sdn Bhd
2. ECS ICT Berhad
3. Emerio (Malaysia) Sdn Bhd
4. Gaushala Sdn Bhd
5. KDU Management Development Centre Sdn Bhd
6. Timewaver Sea Sdn Bhd
7. Pheim Unit Trust Berhad
8. Pheim Asset Management Sdn Bhd
9. Malaysian Life Reinsurance Group Berhad
10. A. Subri Advisors (Sole Proprietor)

Training attended during the financial year

1. Effective Internal Audit Function for Audit Committee - Workshop by Mr Ranjit Singh
Organised by Bursa Malaysia on 20 October 2017
2. Training organised by SIDC (Securities Industry Development Corporation) under Securities Commission Malaysia
3. FIDE Core Programme – Insurance (Module A & B)
4. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)

TAN SRI DR. ONG HONG PENG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri Dr. Ong Hong Peng, aged 62, was appointed to the Board of the Company on 17 July 2017. Presently, Tan Sri Dr. Ong serves as the Chairman of the Nomination Committee and Remuneration Committee of the Company. He also serves as a member of the Risk Management Committee and Investment Committee of the Company.

Tan Sri Dr Ong is currently the Chairman of National Academy of Arts, Culture and Heritage ("ASWARA"). He also sits on the Board of Sepang International Circuit ("SIC") and Malaysia Convention Bureau ("MyCEB"). In addition, he is a member of the Investment Panel of Retirement Fund Incorporated ("KWAP").

Tan Sri Dr Ong graduated with a Master in Economics from Hiroshima University, Japan and Ph.D. in Economics from Michigan State University, USA.

He started his career as Assistant Director of Public Service Department in 1991 and served in various capacities at the National Institute of Public Administration ("INTAN") and Economic Planning Unit ("EPU"). In 2008, he assumed the position of Secretary General, Ministry of Tourism and Culture for eight (8) years until his retirement in December 2016.

On the international front, he was the Chairman of UNWTO Commission for East Asia and the Pacific (2011-2013), Chair of Heads of ASEAN National Tourism Organisations Meeting (2014) and Chair of Senior Officials Committee for the ASEAN Socio-Cultural Community (2015).

At the national level, Tan Sri Dr. Ong was actively involved in the preparation of Third Outline Perspective Plan and Five-Year National Development Plans, particularly on Sectoral Strategies and Priorities, Finance, Tourism and Distributive Trade.

Training attended during the financial year

1. MINDA Board of Directors' Training, Companies Act 2016 (Act 777), 18-19 May 2017, Hotel Lexis, Port Dickson, Negeri Sembilan.
2. International Corporate Governance Network ("ICGN") Annual Conference 2107, 13-17 July 2017, Shangri-la Hotel, Kuala Lumpur.
3. MSCI Institutional Investor Conference, 4-5 October 2017, Sacramento, USA.
4. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)

TAN CHONG LIONG
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Chong Liong, aged 52, was appointed to the Board of the Company on 20 July 2017. Presently, Mr Tan serves as the Chairman of the Investment Committee of the Company. He also serves as a member of the Remuneration Committee and Risk Management Committee of the Company.

Mr Tan graduated with a Bachelor of Accounting from University of Malaya and procured an MBA in International Management from the Royal Melbourne Institute of Technology, Australia. He is also a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA").

Mr Tan has twenty-five (25) years of working experience in financial and strategic management across a range of sectors, including reinsurance, investment, telecommunications, broadcasting, films and TV content distribution, property and power. He has been living and working in Hong Kong, Singapore and Malaysia, and actively engaging in business in China. Currently, being a Committee Member of the Fintech Association of Malaysia and a Director of an investment company focusing in startups in Fintech, eCommerce, IoT and games, he is actively involved in the development of Fintech eco-system in Malaysia.

Directorship in other companies

1. Main Street Capital Sdn Bhd
2. True Happiness Capital Sdn Bhd
3. Ace Pursuit Sdn Bhd
4. Angelite Limited

Training attended during the financial year

1. Regulatory Bootcamps on Regulatory Sandbox and Insurance organised by Bank Negara Malaysia
2. Digital Investment Management Framework Workshop and SCxSC organised by Securities Commission Malaysia
3. Fintech events such as Finnovasia Kuala Lumpur, European Digital Insurer, HK Fintech Week and Singapore Fintech Festival
4. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONT'D.)

KATSUYUKI TAJIRI
NON-INDEPENDENT EXECUTIVE DIRECTOR

Katsuyuki Tajiri, aged 51, was appointed to the Board of the Company on 16 May 2014. Presently, Tajiri serves as a member of the Nomination Committee and Investment Committee of the Company.

Tajiri graduated with a Bachelor of Arts from the Sophia University, Japan in 1990.

Currently, he is the Senior Executive Director of Sampo Holdings (Asia) Pte Ltd., Vice President, Commissioner in PT. Sampo Insurance Indonesia and Alternate Director in Universal Sampo General Insurance Company Limited, India.

Training attended during the financial year

1. FIDE Core Programme – Insurance (Module A & B)
2. MFRS 9 - Financial Instruments and MFRS 17 - Insurance Contracts

TAN SEK KEE
CHIEF EXECUTIVE OFFICER

Tan Sek Kee joined Berjaya Sampo Insurance Berhad on 1 January 2017 as Deputy Chief Executive Officer and was appointed as Chief Executive Officer on 15 March 2017.

A Malaysian aged 53, he graduated from the London School of Economics with a Bachelor of Science degree majoring in Actuarial Science. He also holds an Associateship with Malaysian Insurance Institute ("AMII").

Prior to joining Berjaya Sampo Insurance Berhad, he was attached to AXA Affin General Insurance Berhad ("AXA") since 1995. During his tenor with AXA, he had held various senior management positions, the most recent one being Chief Distribution Officer. Prior to that he was the Chief Operating Officer.

Training attended during the financial year

1. LIAM - China Fintech Innovation Labs Visit (Study Tour)
2. The 6th Sampo Global Summit

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

The Board convened seven (7) meetings for the financial year ended 31 December 2017. The attendance of each Directors at the Board meetings held during the financial year is set out below:

Name of Directors	Total meetings attended	Percentage of attendance (%)
Azhar Bin Mohamad (INED/Chairman)	7/7	100%
Datuk Yong Bun Fou (INED)	7/7	100%
Dato' Sri Robin Tan Yeong Ching (NINED) ^{#1}	2/2 *	100%
Katsuyuki Tajiri (NIED)	7/7	100%
Dato' Loh Lye Ngok (NIED)	7/7	100%
Ahmad Subri Bin Abdullah (INED) ^{#2}	6/6 *	100%
Tan Sri Dr. Ong Hong Peng (INED) ^{#3}	4/4 *	100%
Tan Chong Liong (NINED) ^{#4}	4/4 *	100%

#1 Resigned as Director on 15 May 2017

#2 Appointed as Director on 27 January 2017

#3 Appointed as Director on 17 July 2017

#4 Appointed as Director on 20 July 2017

** Reflects the attendance and the number of meetings held during the period the Directors held office.*

Board Committee

The Board had established specialised Board Committees to assist the Board in execution of the duties. The Board Committees of the Company consists of the Audit Committee, Risk Management Committee, Nomination Committee, Remuneration Committee and Investment Committee.

1. AUDIT COMMITTEE

The Audit Committee ("AC") comprises of three (3) INEDs. A total of five (5) meetings were held during the financial year ended 31 December 2017 and the details of attendance of each member of the AC meeting is as follows:

Name of Directors	Total meetings attended	Percentage of attendance (%)
Datuk Yong Bun Fou (Chairman)	5/5	100%
Azhar bin Mohamad	5/5	100%
Ahmad Subri bin Abdullah ^{#1}	4/4 *	100%
Tan Sri Dr. Ong Hong Peng ^{#2}	3/3 *	100%
Katsuyuki Tajiri ^{#3}	1/1 *	100%

#1 Appointed as member on 27 March 2017

#2 Appointed as member on 1 August 2017 and resigned as a member on 1 January 2018

#3 Resigned as member on 27 March 2017

** Reflects the attendance and the number of meetings held during the period the members held office.*

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

1. AUDIT COMMITTEE (CONT'D.)

The principal duties and responsibilities of the AC are as follows:

- Support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;
- Reviewing and approving the audit scope, procedures and frequency;
- Reviewing key audit reports and ensuring that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
- Noting significant disagreements between the Head of Internal Audit and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;
- Establishing a mechanism to assess the performance and effectiveness of the internal audit function;
- Review and update the Board on any related party transactions that may arise within the Company; and
- Approve the provision of non-audit services by external auditor and ensure that the level of provision of non-audit services is compatible while maintaining auditor independence.

2. RISK MANAGEMENT COMMITTEE

The Risk Management Committee ("RMC") comprises of three (3) INEDs and one (1) NINED, and Chairman is an INED. A total of six (6) meetings were held during the financial year ended 31 December 2017 and the details of attendance of each member of the RMC meeting is as follows:

Name of Directors	Total meetings attended	Percentage of attendance (%)
Ahmad Subri Bin Abdullah (Chairman) ^{#1}	4/4 *	100%
Datuk Yong Bun Fou ^{#2}	6/6	100%
Azhar Bin Mohamad	6/6	100%
Tan Sri Dr. Ong Hong Peng ^{#3}	3/3 *	100%
Tan Chong Liong ^{#4}	3/3 *	100%
Katsuyuki Tajiri ^{#5}	2/2 *	100%

^{#1} Appointed as a member on 27 March 2017 and appointed as Chairman on 1 August 2017

^{#2} Resigned as a member on 1 January 2018

^{#3} Appointed as a member on 1 August 2017

^{#4} Appointed as a member on 1 August 2017

^{#5} Resigned as a member on 27 March 2017

* Reflects the attendance and the number of meetings held during the period the members held office.

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

2. RISK MANAGEMENT COMMITTEE (CONT'D.)

The principal duties and responsibilities of the RMC are as follows:

- Support the Board in meeting the expectations on risk management as set out in the policy document on Risk Governance; and
- In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the board remuneration committee.

3. REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises of three (3) INEDs and one (1) NINED, and Chairman is an INED. A total of two (2) meetings were held during the financial year ended 31 December 2017 and the details of attendance of each member of the RC meeting is as follows:

Name of Directors	Total meetings attended	Percentage of attendance (%)
Tan Sri Dr. Ong Hong Peng (Chairman) ^{#1}	1/1 *	100%
Ahmad Subri Bin Abdullah ^{#2}	2/2	100%
Katsuyuki Tajiri ^{#3}	0/0 *	-
Dato' Sri Robin Tan Yeong Ching ^{#4}	1/1 *	100%
Datuk Yong Bun Fou	2/2	100%
Tan Chong Liong ^{#5}	1/1 *	100%
Azhar Bin Mohamad ^{#6}	2/2	100%

#1 Appointed as a member and Chairman on 1 August 2017

#2 Appointed as a member on 27 March 2017

#3 Resigned as a member on 27 March 2017

#4 Resigned as a member on 15 May 2017

#5 Appointed as a member on 1 August 2017

#6 Resigned as a member on 1 January 2018

** Reflects the attendance and the number of meetings held during the period the members held office.*

The principal duties and responsibilities of the RC are as follows:-

- Recommend a framework of remuneration for Directors, CEO and key senior officers of the Company;
- Recommend specific remuneration packages of Directors, CEO and key senior officers. This is to ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the caliber needed to manage the Company successfully, while being consistent with the prudent management of the Company's affairs;

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

3. REMUNERATION COMMITTEE (CONT'D.)

- Support the Board in overseeing the design and operation of the financial institution's remuneration system as set out in Corporate Governance Policy Document; and
- Periodically review the remuneration of the Board, particularly on whether remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

4. NOMINATION COMMITTEE

The Nomination Committee ("NC") comprises of three (3) INEDs and two (2) NIED, and Chairman is an INED. A total of five (5) meetings were held during the financial year ended 31 December 2017 and the details of attendance of each member of the NC meeting is as follows:

Name of Directors	Total meetings attended	Percentage of attendance (%)
Tan Sri Dr. Ong Hong Peng (Chairman) ^{#1}	2/2 *	100%
Azhar Bin Mohamad ^{#2}	5/5	100%
Datuk Yong Bun Fou	5/5	100%
Dato' Sri Robin Tan Yeong Ching ^{#3}	2/2 *	100%
Katsuyuki Tajiri	5/5	100%
Dato' Loh Lye Ngok	5/5	100%
Ahmad Subri Bin Abdullah ^{#4}	3/3 *	100%
Tan Chong Liong ^{#5}	2/2 *	100%

#1 Appointed as a member and Chairman on 1st August 2017

#2 Resigned as a member on 1st January 2018

#3 Resigned as a chairman on 15th May 2017

#4 Appointed as a member on 15th May 2017

#5 Appointed as a member on 1st August 2017 and resigned as a member on 1st January 2018

** Reflects the attendance and the number of meetings held during the period the members held office.*

The principal duties and responsibilities of the NC are as follows:

- Establish the minimum requirement for the Board of Directors and the CEO to perform their responsibilities effectively;
- Review the Board structure, mix and composition, and the mix and skills and core competencies required for the Board to discharge its duties effectively;

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

4. NOMINATION COMMITTEE (CONT'D.)

- Assess the effectiveness of the Board and Board Committees on annual basis;
- Consider and evaluate the appointment of new Directors and Directors to fill the seats on the Board Committees of the Company and to recommend candidates to the Board and BNM for appointment and reappointment or re-election;
- Appointment and evaluation of the CEO and key senior officers of the Company;
- Ensure that all Directors undergo appropriate induction programmes and receive continuous training; and
- Oversees the management succession planning of the Company.

5. INVESTMENT COMMITTEE

The Investment Committee ("IC") comprises of four (4) INEDs, one (1) NINED and one (1) NIED, and Chairman is a NINED. A total of five (5) meetings were held during the financial year ended 31 December 2017 and the details of attendance of each member of the IC meeting is as follows:

Name of Directors	Total meetings attended	Percentage of attendance (%)
Tan Chong Liong(Chairman) ^{#1}	3/3 *	100%
Azhar Bin Mohamad	5/5	100%
Datuk Yong Bun Fou	5/5	100%
Tan Sri Dr. Ong Hong Peng ^{#2}	3/3 *	100%
Dato' Loh Lye Ngok	5/5	100%
Ahmad Subri Bin Abdullah ^{#3}	3/3 *	100%
Katsuyuki Tajiri ^{#4}	5/5	100%

#1 Appointed as a member and Chairman on 1 August 2017

#2 Appointed as a member on 1 August 2017

#3 Appointed as a member on 27 March 2017

#4 Resigned as a Chairman and resumed as a member on 1 August 2017

** Reflects the attendance and the number of meetings held during the period the members held office.*

The principal duties and responsibilities of the IC are as follows:

- Review and recommend the investment policy, investment strategies and strategic plan of the investment and divestment activities;
- Monitor the Company's investment to assess the appropriateness of the investment strategy and recommend changes to the Board as appropriate;

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

5. INVESTMENT COMMITTEE (CONT'D.)

The principal duties and responsibilities of the IC are as follows: (Cont'd.)

- Review the investment objectives and strategies of the Company and its core businesses;
- Report to the Board at regular intervals on investment performance in comparison to relevant benchmarks (either directly or via investment experts);
- Ensure that investments are made in accordance with the strategy and related asset allocation limits;
- Consider the appointment of external Investment Managers and associated investment fees;
- Consider and if appropriate approve any specific investments in excess of asset allocation limits, subject to scope agreed with the Board, and prohibiting other classes of investment (for example on ethical ground);
- To promote appropriate credit management, asset and liabilities matching management, liquidity and investment returns to the best interest of the Company;
- To review and monitor the risk exposure of the investment portfolio and recommend the appropriate risk tolerance limit to the Board.

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management Governance and Framework

- **Risk Management Committee ("RMC")**

RMC is a non-executive committee, chaired by an Independent Director which oversees the Senior Management's activities in managing the company's Tier 1 Risks and to ensure the risk management process is in place and functioning effectively.

- **Risk Management Working Committee ("RMWC")**

The roles and responsibilities of RMWC, which is chaired by the CEO, provides the essential platform to assist the RMC in making informed decisions on financial and non-financial risks, and the Committee provides effective oversight on the risk exposures across the company.

- **Risk Management Department**

The Risk Management Department as the "second line of defence" is responsible for assisting the Board, RMC, RMWC and Management in developing and maintaining the ERM Framework by establishing Risk Management policies and methodologies, including defining roles and responsibilities; performing independent risk assessment and independent validation; assisting the Board in fulfilling its corporate governance responsibilities; and in implementing risk-based capital framework and monitoring of capital adequacy level.

- **Audit Committee ("AC")**

The AC has the responsibilities of assisting the Board in ensuring that there is a reliable and transparent financial reporting process. The AC is responsible for the effective performance of the Internal Audit function where the AC, reviews and reports to the Board of Directors on all audit reports, approves the internal audit plans and transmits to the Management such instructions as it deems necessary for the implementation of appropriate internal controls. The AC is guided by its terms of reference, approved by the Board, in discharging its roles and responsibilities.

Internal Audit Function

The Internal Audit Department ("IAD") of the Company is established to provide independent and objective assurance to the AC, Board and Management that policies, procedures and operations that the Management put in place for risk management, control and governance are adequate, operating effectively and efficiently and compliance is maintained with applicable laws and regulations.

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CORPORATE GOVERNANCE STATEMENT (CONT'D.)

KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

Internal Audit Function (Cont'd.)

IAD's main role is the provision of timely, independent and impartial advice as to whether activities reviewed are:

- (a) in accordance with the Company policies, guidelines and procedures;
- (b) in compliance with the rules and regulations and other prescribed laws and regulations set by BNM, PIAM and other regulatory bodies; and
- (c) achieving the desired results efficiently, effectively and economically.

IAD maintains independence of the activities it reviews at all times. Specifically, Internal Audit teams may not review areas where they were responsible for the design or operation of the area. IAD works closely with the Management to effectively discharge their responsibilities and provide line management with analyses, appraisals, recommendations and information concerning the activities that were reviewed which are under their control.

Other Key Elements of Risk Management and Internal Control

- **Organisational Structure & management accountability**

The Company have organisational structure that clearly defined lines of responsibility, authority limit and accountability in-line with the business and operational requirements. Various management committee were act on to assist in managing the day-to-day operations for developed tactical strategies, ensure activities were carried out in accordance within the objective, and/or strategies as approved by the Board.

- **Policies and Procedures**

Policies and procedures, which incorporate regulatory, internal policies requirements and control systems, are prescribed in the standard form of circulars to line management in all departments and updated on a yearly basis and/or as and when necessary.

- **Corporate independence**

The Company complied with BNM's Guidelines on Related Party Transaction. Necessary disclosures have been made to the Board and when required, prior Board's approval has been obtained. All material related party transactions have been disclosed in Note 25 to the financial statements.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

Other Key Elements of Risk Management and Internal Control (Cont'd.)

- **Financial Reporting**

The Company have maintained proper accounting records and the financial statements are prepared in accordance with Malaysian Reporting Standards (MFRS) issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS"), the requirements of the CA 2016, FSA 2013 and Guidelines/Circulars issued by BNM.

- **Approving Authority Limits**

There are operational approving authority limits imposed on the CEO and the Management within the Company in respect of day-to-day operation from underwriting, claims, investments and capital expenditure.

- **Stress Testing**

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under adverse yet plausible events. The stress test results together with the mitigating plans are tabled at least annually or from time to time as specified by BNM for the Board's deliberation and recommendation.

- **Executive Committee ("EXCO")**

The EXCO chaired by the CEO are conducted on monthly basis to review business development, financial performance and deliberation of management and corporate matters.

- **Investment Working Committee ("IWC")**

The roles and responsibilities of IWC, which is chaired by the CEO are as follows:

- (a) to assist the IC in setting the investment policy;
- (b) to ensure the investment activities of the Company is conducted in accordance with the investment policy and in line with Risk-Based Capital Framework ("RBC"); and
- (c) to manage the Company's investment assets and make related strategic recommendations to the IC to achieve the Company's targeted investment returns.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

KEY RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONT'D.)

Other Key Elements of Risk Management and Internal Control (Cont'd.)

- **Information Technology Steering Committee ("ITSC")**

The ITSC is chaired by the CEO. The committee is responsible for formulating the overall IT strategy; authorising IT related budget and expenditures; and monitoring overall efficiency, performance and effectiveness of IT services.

- **Business Continuity Management Committee ("BCMC")**

The BCMC comprises the members of RMWC and responsible to effectively implement the BCM policy and strategies set out by the Board.

REMUNERATION POLICY

Objectives

The Company aims to be the preferred employer for its employees. To achieve that, it has established a Remuneration Policy that is fair and effectively attracts, motivates and retains talents. The Remuneration Policy will be one of the main drivers for the Company to achieve its goals and objectives.

Principles

Pillars of Remuneration Policy

1. Rate for the job

All jobs must be rated and paid based on job complexity, skills required, job size, etc. Only then, will the employees enjoy pay equity.

2. Merit based

A merit based system forms a fair and impartial basis to pay and reward employees.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Staff Performance Management System

The reward system is linked closely to the Company's Staff Performance Management System (PMS).

The system uses (2) two metrics of measurements: -

1. Key Performance Indicators (KPI) - Performances based on agreed set targets.
2. Competencies - Individual skill sets.

Strategic Orientation

- The Remuneration Policy applies to all levels of employees in the Company.
- When establishing the Remuneration Policy, the Company takes into account the local cultures, practices, laws and regulations.
- The Remuneration Policy shall safeguard the long-term financial stability and value creation of the Company and shall be aligned with risk management principles and practices.

Review of Policy

- The establishment of the Remuneration Policy, with inputs from the control functions, must be assessed by the remuneration committee before recommendation to the Board of Directors for approval. The Board will play an active oversight role to ensure that the Remuneration Policy forms a key component of the governance and incentive structure and operates to achieve the goals of the Company.
- The Board will also review the Remuneration Policy on a periodic basis, at least on an annual basis, to ensure that any changes, especially material changes to the Remuneration Policy are in line with the existing BNM Corporate Governance Guidelines.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Staff Assessment - Corporate Governance Policy

The Board is to assess the performance of CEO and Key Responsible Persons (KRPs) as well as the control function heads, company secretary and appointed actuary as follows: -

- Head of Internal Audit via Audit Committee, Nominations Committee and Remuneration Committee.
- Chief Risk Officer and Chief of Compliance via Risk Management Committee, Nominations Committee and Remuneration Committee.
- CEO, senior management, Company Secretary and Appointed Actuary, all via Nominations Committee and Remuneration Committee.

Composition of Remuneration

1. The composition of remuneration shall contain the 3 rewards elements: -
 - a. Salary and Salary Increments
 - b. Performance Bonus
 - c. Other benefits
2. Salary increments are provided on the premise of future improved work deliveries of the individual staff, taking into account economic inflation and value-gained by each individual staff as they progress in their career.
3. The bonus is paid to reward the individual staff on the past year's work performance of the individual as well as Company's overall performance.
4. Both bonus and salary increments are distributed and paid on an annual basis.
5. For "other benefits", it is provided for under the Company's Human Resource Policy. These benefits come in the forms of monetary as well as non-monetary.

Salary

Salary is basically determined through a rating of the job or in other words, a valuation of the position. The job is evaluated in terms of job size, job skills, job complexity etc, and then rated against the market by making reference to surveyed market salary pay-lines.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE STATEMENT (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Salary Increment

The payment of salary increment will be at the discretion of the Company. The amount of salary increment will be based on the individual's performance and the Company's profitability and affordability.

Methodology of Salary Increment

The Company will decide the average salary increment percentage to be paid out every year based on the same methodology set out in the performance bonus reward.

Performance Bonus

The bonus payment is not guaranteed, and if declared by the Company shall be based on the Company's and individual employee's performance, e.g. the individual employee's Key Performance Indicators (KPIs) as assessed by their respective superior through a face-to-face appraisal interview at the end of the annual calendar year or the Company's business cycle year i.e. 1 January to 31 December. Payment of bonus shall be at the sole discretion of the Company.

Methodology of Performance Bonus Reward

The Company will distribute bonus based on overall performance of the Company benchmarked against the general insurance industry through market remuneration survey conducted by established and reputable surveys.

Key Responsible People ("KRP")

The list of KRPs is as below.

Position	No of Headcount
Chief Executive Officer	1
Deputy Chief Executive Officer	1
Chiefs	5
Company Secretary	1
Heads of Departments	17
Regional Heads	4
Appointed Actuary	1

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net profit for the year	<u>48,110</u>

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

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

DIVIDENDS

No dividend has been paid or declared since the end of the previous financial period.

The Directors do not recommend the payment of any final dividend in respect of the current financial year.

DIRECTORS OF THE COMPANY

Directors who served since beginning of the year and appointed during the year to date of this report:

Name of Directors

Azhar Bin Mohamad (INED/Chairman)

Dato' Loh Lye Ngok (NIED) - resigned as CEO on 15 March 2017

Katsuyuki Tajiri (NIED)

Datuk Yong Bun Fou (INED)

Ahmad Subri Bin Abdullah (INED) - appointed on 25 January 2017

Dato' Sri Robin Tan Yeong Ching (NINED) - resigned on 15 May 2017

Tan Sri Dr. Ong Hong Peng (INED) - appointed on 17 July 2017

Tan Chong Liong (NINED) - appointed on 20 July 2017

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, or the options over the unissued shares of the holding Company and other related companies granted to certain Directors.

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 22 and Note 25 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' INDEMNIFICATION

The Company has maintained a Director's and Officer's Liability ("D&O") Insurance on the Company up to an aggregate limit of RM20 million with premium paid of RM38,000 against any Legal liability incurred by the Directors and Officers in discharging their duties while holding office in the Company. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

OTHER STATUTORY INFORMATION

1. Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps:
 - a. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - b. to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION (CONT'D.)

2. At the date of this report, the Directors are not aware of any circumstances which would render:
 - a. the amount written off for bad debts or the amount of the provision for doubtful debts in the statement of financial position and income statement of the Company inadequate to any substantial extent; and
 - b. the values attributed to the current assets in the financial statements of the Company misleading.
3. At the date of this report, the Directors are not aware of any circumstances which would arise and which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
4. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
5. As at the date of this report, there does not exist:
 - a. any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - b. any contingent liability of the Company which has arisen since the end of the financial year.
6. In the opinion of the Directors:
 - a. no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
 - b. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

For the purpose of paragraphs (5)(b) and (6)(a), contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONT'D.)
FOR THE YEAR ENDED 31 DECEMBER 2017

OTHER STATUTORY INFORMATION (CONT'D.)

7. Before the statement of financial position and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provisions for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC") for Insurers issued by BNM.

SIGNIFICANT AND SUBSEQUENT EVENT

The significant and subsequent event during and after the financial year end is disclosed in Note 32.

AUDITORS AND AUDITORS' REMUNERATION

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

The auditors' remuneration are disclosed in Note 22 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 March 2018.



Azhar Bin Mohamad



Datuk Yong Bun Fou

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Azhar Bin Mohamad and Datuk Yong Bun Fou, being two of the directors of Berjaya Sampo Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the results and cash flows for the year ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 March 2018.



Azhar Bin Mohamad



Datuk Yong Bun Fou

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

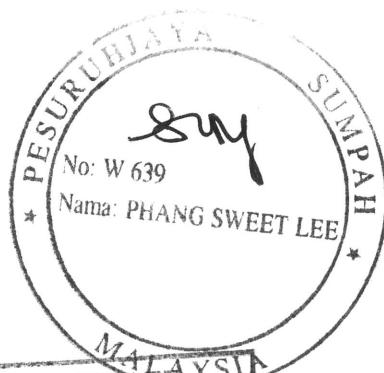
I, Tan Sek Kee, being the officer primarily responsible for the financial management of Berjaya Sampo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 110 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Tan Sek Kee,
at Kuala Lumpur in Wilayah Persekutuan
on 23 March 2018



Tan Sek Kee

Before me,



PHANG SWEET LEE
Level 9, Menara Bangkok Bank,
Berjaya Central Park,
No. 105, Jalan Ampang,
50450 Kuala Lumpur,
Malaysia.

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**Independent auditors' report to the members of
Berjaya Sampo Insurance Berhad
(Incorporated in Malaysia)**

Report on the Financial Statements

Opinion

We have audited the financial statements of Berjaya Sampo Insurance Berhad, which comprise the statement of financial position as at 31 December 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2017, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 31 to 110.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 Corporate Governance Statement and Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

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Independent auditors' report to the members of
Berjaya Sampo Insurance Berhad (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 Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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**Independent auditors' report to the members of
Berjaya Sampo Insurance Berhad (Cont'd.)
(Incorporated in Malaysia)**

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Independent auditors' report to the members of
Berjaya Sampo Insurance Berhad (Cont'd.)
(Incorporated in Malaysia)

Other matters

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


Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
23 March 2018


Brandon Bruce Sta Maria
No. 02937/09/2019 J
Chartered Accountant

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Property and equipment	3	101,003	105,696
Intangible assets	4	22,740	15,937
Investment properties	5	23,730	18,030
Investments	6	1,352,794	1,171,987
Reinsurance assets	7	281,552	246,787
Insurance receivables	8	93,554	71,971
Other receivables	9	64,925	77,846
Tax recoverable		3,986	1,119
Cash and cash equivalents	11	77,407	121,383
TOTAL ASSETS		2,021,691	1,830,756
EQUITY			
Share capital	12	118,000	118,000
Available-for-sale fair value reserve		31,063	23,056
Retained profits		652,636	604,526
TOTAL EQUITY		801,699	745,582
LIABILITIES			
Insurance contract liabilities	13	1,063,766	982,735
Deferred tax liabilities	10	6,698	5,655
Insurance payables	14	83,020	57,918
Other payables	15	66,508	38,866
TOTAL LIABILITIES		1,219,992	1,085,174
TOTAL EQUITY AND LIABILITIES		2,021,691	1,830,756

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Gross earned premiums	16(a)	770,083	710,550
Earned premiums ceded to reinsurers	16(b)	(172,113)	(146,501)
Net earned premiums		<u>597,970</u>	<u>564,049</u>
Investment income	17	54,537	51,878
Net realised gains/(losses)	18	4,113	567
Fair value losses	19	(7,116)	(4,799)
Commission income		42,133	31,629
Other operating income	20	972	1,839
Other revenue		<u>94,639</u>	<u>81,114</u>
Gross claims paid	21(a)	(447,658)	(555,713)
Claims ceded to reinsurers	21(b)	70,376	200,659
Gross change in contract liabilities	21(c)	(74,886)	176,327
Change in contract liabilities ceded to reinsurers	21(d)	42,836	(180,802)
Net claims incurred	21	<u>(409,332)</u>	<u>(359,529)</u>
Commission expense		(96,490)	(90,234)
Management expense	22	(132,257)	(119,743)
Other expenses		<u>(228,747)</u>	<u>(209,977)</u>
Profit before tax		54,530	75,657
Tax expense	23	(6,420)	(20,627)
Net profit for the year		<u>48,110</u>	<u>55,030</u>
Earnings per share (sen)			
- Basic and Diluted	24	<u>40.8</u>	<u>46.6</u>

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
Net profit for the year		48,110	55,030
Other comprehensive income:			
Items that may be reclassified to Income Statement in subsequent periods:			
Available-for-sale fair value reserve:			
Net unrealised gain on fair value changes		8,141	5,966
Realised gains/(losses) transferred to income statement upon disposal		2,394	(197)
		<u>10,535</u>	<u>5,769</u>
Tax effects	10	(2,528)	(951)
		<u>8,007</u>	<u>4,818</u>
Total comprehensive income for the year		<u>56,117</u>	<u>59,848</u>

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital RM'000	Non-distributable Available-for -sale fair value reserve RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 January 2016	118,000	18,238	549,496	685,734
Net profit for the year	-	-	55,030	55,030
Other comprehensive income for the year	-	4,818	-	4,818
Total comprehensive income for the year	-	4,818	55,030	59,848
At 31 December 2016	118,000	23,056	604,526	745,582
At 1 January 2017	118,000	23,056	604,526	745,582
Net profit for the year	-	-	48,110	48,110
Other comprehensive income for the year	-	8,007	-	8,007
Total comprehensive income for the year	-	8,007	48,110	56,117
At 31 December 2017	118,000	31,063	652,636	801,699

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	RM'000	RM'000
<u>Operating activities</u>		
Cash flows generated from Operating activities:		
Profit before tax	54,530	75,657
Investment income	(54,796)	(52,107)
Sundry income	(1,348)	(2,104)
Realised gains on AFS investments	(3,940)	(490)
Fair value loss recorded in income statement	232	312
Gain on disposal of property and equipment	(173)	(77)
Loss on disposal of intangible assets	36	-
Property and equipment written off	9	1,211
Amortisation of premium	259	229
Fair value (gain)/loss on investment properties	(3,553)	1,250
Impairment allowance for/(write-back of):		
Investments	10,437	3,237
Insurance Receivables	(1,791)	773
Bad debts written off	91	187
Depreciation on property and equipment	5,144	4,447
Amortisation on intangible assets	2,250	898
Operating cash flows before working capital changes	<u>7,387</u>	<u>33,423</u>
(Increase) in insurance receivables	(19,883)	(573)
Decrease in other receivables	15,529	2,245
(Increase)/decrease in reinsurance assets	(34,765)	197,674
(Increase) in loans and receivables ("LAR")	(3,180)	(1,468)
Increase/(decrease) in insurance contract liabilities	81,031	(156,649)
Increase/(decrease) in insurance payables	25,102	(54,679)
Increase in other payables	27,644	10,271
	<u>91,478</u>	<u>(3,179)</u>
Dividend/distribution income received	34,874	29,020
Interest income received	17,326	19,998
Rental income received	1,337	1,323
Income tax paid	(10,774)	(15,114)
Net cash flows generated from operating activities	<u>141,628</u>	<u>65,471</u>

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CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D.)

	Note	2017 RM'000	2016 RM'000
<u>Investing activities</u>			
Cash flows generated from investing activities			
Purchase of property and equipment		(2,663)	(13,107)
Purchase of intangible assets		(9,113)	(14,791)
Proceeds from sale of property and equipment		229	148
Proceeds from sale of intangible assets		24	-
Purchase of financial assets		(525,063)	(407,095)
Proceeds from sale of financial assets		350,982	294,785
Net cash flows used in investing activities		(185,604)	(140,060)
Net decrease in cash and cash equivalents		(43,976)	(74,589)
Cash and cash equivalents at beginning of year	11	121,383	195,972
Cash and cash equivalents at end of year	11	77,407	121,383

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

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company is located at 1-38-1 & 1-38-2, Menara Bangkok Bank, Laman Sentral Berjaya, No 105, Jalan Ampang, 50450, Kuala Lumpur.

The immediate holding company is Sampo Holdings (Asia) Pte Ltd, which is incorporated in Singapore. The ultimate holding company is Sampo Holdings, Inc which is incorporated in Japan and listed on the Tokyo Stock Exchange.

The principal activity of the Company is the underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 March 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements of the Company have also been prepared on a historical cost basis, unless otherwise stated in the summary of significant accounting policies.

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

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be 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.

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest thousand (RM'000) except when indicated otherwise.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 BASIS OF PREPARATION (CONT'D.)

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

On 1 January 2017, the Company adopted the following new and amended MFRSs and improvements to standards mandatory for annual financial periods beginning on or after 1 January 2017.

Description	Effective for annual periods on or after
<ul style="list-style-type: none"> Amendments to MFRS 12, <i>Annual Improvements to MFRS Standards 2014–2016 Cycle</i> Amendments to MFRS 107, <i>Disclosure Initiative</i> Amendments to MFRS 112, <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> 	1 January 2017 1 January 2017 1 January 2017

The adoption of the new pronouncements above during the year did not result in any material financial impact to the financial statements.

Amendments to MFRS 12, Annual Improvements to MFRS Standards 2014–2016 Cycle

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale. The application of these amendments has had no effect on the Company.

Amendments to MFRS 107, Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of these amendments, entities are not required to provide comparative information for preceding periods. The application of these amendments has no impact on the Company.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 BASIS OF PREPARATION (CONT'D.)

Amendments to MFRS 112, Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. The amendments also provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application of these amendments has had no impact on the Company as the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2 (d).

Work-in-progress is not depreciated until such time that it is ready for its intended use. Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life for current and comparative periods, at the following annual rates:

Land and buildings	2%
Furniture, fittings and office equipment	10%
Computers	20%
Motor vehicles	20%

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and equipment (Cont'd.)

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

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

(b) Intangible assets

The intangible assets of the Company consist of computer software and golf club memberships. These intangible assets, which were acquired separately, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at each reporting date. The amortisation is charged to the income statement.

Computer software licenses acquired separately are capitalised on basis of the costs incurred to acquire and bring the asset to its intended use. These costs are amortised over their estimated useful lives of 5 years.

Costs that are directly associated with knowledge based software and computer applications which are unique to the requirements of the insurance business are recognised as intangible assets. These software and applications are expected to generate economic benefits beyond one year. Direct attributable costs include the software development employee costs and an appropriate portion of relevant overheads to prepare the asset for its intended use. These costs are recognised as assets and amortised over their estimated useful lives of 5 to 10 years.

The golf club memberships are considered as infinite life intangible assets. The useful life of an intangible asset with an infinite useful life is reviewed annually to determine whether there is any impairment losses to be recognised and whether the infinite life assessment continues to be supportable.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Investment properties

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. The fair values of investment properties are revalued at regular intervals of at least once in every three years and with additional valuation in the intervening years to ensure that the carrying amount does not differ materially from the fair value of the properties at the financial year end reporting date.

Any gains or losses arising from the changes in fair value of investment properties are recognised in income statement in the year in which they arise. The recognition of any change in fair value is disclosed and adopted during the management meetings.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

(d) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the income statement in the year in which it arises.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(d) Impairment of non-financial assets (Cont'd)

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

Reversal of impairment loss for an asset is recognised in the income statement.

(e) Financial instruments

Financial instruments are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets and financial liabilities in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as a financial asset or financial liability, are reported as expense or income.

The Company categorises and measures financial instruments as follows:

(i) Financial assets

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

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets classified as held for trading are derivatives or financial assets acquired principally for the purpose of selling in the near term.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets designated upon initial recognition as FVTPL are designated at their initial recognition date and only if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising the gains or losses on different basis; or
- the assets and liabilities are part of the 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 and losses arising from changes in fair value are recognised in income statement. 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 the income statement as part of other expenses or other income and investment income respectively.

FVTPL includes self-managed warrants as described in Note 6(a).

Held-to-maturity ("HTM") financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity are classified as HTM financial assets. These financial assets are carried at amortised cost using the effective interest method, less any impairment loss. Gains or losses are recognised in the income statements when the investments are derecognised or impaired, as well as through the amortisation process.

HTM includes self-managed Corporate Bonds and Government Investment Issues as described in Note 6(b).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

Loans and receivables ("LAR")

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as classified as LAR. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, such financial assets are carried at amortised cost using the effective interest method less accumulated impairment losses.

LAR includes insurance receivables, and deposits with financial institutions with original maturity of more than 3 months. For the accounting policies with respect to insurance receivables, refer to note 2.2 (j).

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

Non-derivative financial assets that are not classified in any of the three preceding categories are designated as available-for-sale financial assets. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in other comprehensive income, or if the asset is determined to be impaired, the cumulative loss recorded in equity is recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

AFS includes Self-managed Equity securities, Unit Trust Fund, Malaysian Government Securities, Government Investment Issues and Corporate Bonds managed by Fund Manager as described in Note 6(d).

(ii) Financial liabilities

Trade and other payables are classified as other financial liabilities and recognised initially at fair value of the consideration to be paid in the future for goods and services received.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Fair value measurement

The Company measures certain assets at fair value at each reporting date.

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

- In the principal market for the asset or liability, or
- 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 Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Fair value measurement (Cont'd.)

The fair value of the investment properties of the Company are categorised as Level 3. The properties being valued are compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transaction used for comparison.

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

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

(g) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Financial assets carried at amortised cost (Cont'd.)

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and 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.

Any subsequent reversal of impairment losses are made through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

AFS financial assets

When assessing the impairment of equity instruments, the Company considers, in addition to observable data about loss events, whether there is a significant or prolonged decline in the fair value of equity investments, and whether the cost of investment in equity instruments may be recovered. When there is evidence that the cost of investment in equity instruments may not be recovered, an impairment loss is recognised.

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

Impairment losses on AFS equity instruments are not reversed in income statement in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Unquoted equity securities carried at cost

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

(h) Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from them have expired or all the risks and rewards of ownership have been transferred substantially.

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 gains and losses that had been recognised in other comprehensive income are recognised in profit or loss.

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

(i) Equity instruments

Ordinary shares are classified as equity in the statement of financial position.

Ordinary shares are recorded at the time when proceeds are received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after balance sheet date are dealt with as an event after the balance sheet date.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(j) 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 amortised cost using the effective interest method.

Receivables are assessed at each reporting date on whether there is objective evidence of impairment as a result of one or more events that would have impact on the estimated future cash flow of the asset.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises an impairment loss in the income statement.

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

(k) Reinsurance

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Reinsurance (Cont'd.)

Premium and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business.

Amount due to reinsurers and ceding companies are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or amount due to reinsurers and ceding companies are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(l) Product Classification

The Company currently only issues contracts that transfer insurance risk.

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

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

When insurance contracts contain both financial risk component and significant insurance risk component, the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts. Investment contracts are those contracts that do not transfer significant insurance risk.

(m) General Insurance underwriting results

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) General Insurance underwriting results (Cont'd.)

(i) Premium Income

Premiums are recognised in a financial year in respect of the risks assumed during that particular financial year. Premiums in respect of risks inception for which debit notes or policies have not been raised as of the date of the statement of financial position are accrued at that date as pipeline premiums.

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

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

(ii) Premium liabilities

Premium liabilities represent the 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 on premium income.

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

Unexpired risk reserves ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year. It 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 are determined based on valuation performed by Appointed Actuary.

Unearned premium reserves ("UPR")

UPR represent 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 year.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) General Insurance underwriting results (Cont'd.)

(ii) Premium liabilities (Cont'd.)

Unearned premium reserves ("UPR") (Cont'd.)

In determining the UPR at the reporting date, the method that most accurately reflects the actual liability is used, as follows:

- 25% method for marine cargo, aviation cargo and transit business;
- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical	10 - 15%
Other classes	25%
- Non-annual policies are time apportioned over the period of the risks.

(iii) Claims Incurred

Claims include all claims occurring during the financial year, whether reported or not and related external claims handling cost that are directly related to the processing and settlement of claim.

(iv) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. The value is the best estimate value of claim liabilities which include provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall Company level as prescribed by BNM. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged, or cancelled.

Claims liabilities are determined based on a valuation performed by the Appointed Actuary.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) General Insurance underwriting results (Cont'd.)

(v) Commission and Agency Expenses

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

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to income statement in the period in which they incurred.

(n) General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities, as described in 2.2 (m)(ii), (iii) and (iv).

(o) Leases

(i) Operating Lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) Finance Lease - the Company as lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the profit rate implicit in the lease, when it is impracticable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct cost is also added to the carrying amount of such assets.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(o) Leases (Cont'd.)

(ii) Finance Lease - the Company as lessee (Cont'd.)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit and loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each reporting date.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.2(a).

(p) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of the revenue can be measured reliably.

(i) Interest income

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

(ii) Dividend income

Dividend income is recognised on a declared basis when the right to receive payment is established.

(iii) Rental income

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(q) Income tax

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

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

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

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

(r) Goods and Services Tax ("GST")

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(s) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

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

(t) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each reporting date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement. The currencies giving rise to these differences are primarily United States Dollar (USD) and Singapore Dollar (SGD).

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at financial institutions with original maturity of 3 months or less which have insignificant risk of changes in, and which are used by the Company in the management of its short-term commitments.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical judgements made in applying accounting policies

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

(i) Classification between investment property and self occupied property

The company has developed certain criteria based on MFRS 140 Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portion could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Impairment of AFS investments

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Company impaired quoted equity instruments in accordance with the Company's internal investment policy amounting to RM10,436,612 (2016: RM3,237,224).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(iii) Deferred tax assets

Deferred tax assets are recognised for unutilised business losses, unutilised capital allowances and provisions to the extent that it is probable that taxable profit will be available against which then losses, allowances and provision can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies. At 31 December 2017, deferred tax assets recognised by the Company amounted to RM11,228,269 (2016: RM9,303,187) as disclosed in Note 10.

(iv) Impairment of insurance receivables

The Company assesses at the end of each reporting date for objective evidence of impairment of financial asset. A receivable is considered as individually impaired if the counterparty is in the process of liquidation, absconded, having significant financial difficulty or legal actions have been taken to recover the outstanding. The Company also provides for allowance for impairment for potential defaults of credit terms and irrecoverability via collective assessment. No collateral is held as security for any past due or impaired assets. Where evidence exists that a receivable is impaired, the Company will recognise the impairment loss in the income statement. The total amount of impairment loss recognised in respect of insurance receivables at 31 December 2017 amounted to RM13,172,213 (2016:RM14,962,860) as disclosed in Note 8.

(b) Key sources of estimation uncertainty

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

(i) Uncertainty in accounting estimates for general insurance business

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the provisions of premium and claim liabilities as described in note 2.2 (m). The premium liabilities comprise UPR or URR while claim liabilities comprise outstanding claims case estimates and IBNR claims.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(i) Uncertainty in accounting estimates for general insurance business (Cont'd.)

Generally, claim 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 all past experiences with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projections. The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, the estimates assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(i) Uncertainty in accounting estimates for general insurance business (Cont'd.)

At each reporting date, the estimates assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuary is approved by BNM.

Note 27(b) provides sensitivity analysis of the effects of changes in key assumption on the insurance contract liabilities of the Company including the consequential effects on profit or loss and equity.

(ii) Claim Liabilities - Case Estimates

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with RBC framework issued by BNM. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

(iii) Pipeline premium

For pipeline premium, estimates is made on the expected unprocessed premium at the end of the reporting date. The pipeline premium is estimated by using the Company's average past two years trend of unprocessed premiums in relation to each financial year.

Historical trends are further analysed by months, business lines and product type. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated pipeline premium that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Pipeline premiums recognised at 31 December 2017 amounted to RM2,082,215 (2016: RM2,041,449).

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards, Amendments to Standards and interpretation that are issued but not yet effective

The standards, amendments/improvements to standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128 Investment in Associate and Joint Ventures (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 Consolidation Financial Statements and MFRS 128 Investment in Associate and Joint Ventures	To be announced by MASB

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

The initial application of the abovementioned standards, amendments/improvements to standards and interpretations are not expected to have any material impact to the financial statements of the Company except as mentioned below:-

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for 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. This standard replaces MFRS 139 Financial Instruments; Recognition and Measurement.

(i) Classification and measurement of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("LAR") and Available-for-sale ("AFS").

MFRS 9 contains three (3) principal classification categories for financial assets:

- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

(ii) Impairment of financial assets

MFRS 9 replaces the "Incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economics factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC and FVOCI.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 9 Financial Instruments (Cont'd.)

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

Under MFRS 9, loss allowances will be measured on either 12-month ECL or Lifetime ECL basis.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

(iii) Hedge accounting

Hedging relationships that qualified for hedge accounting in accordance with MFRS 139, that also qualify for hedge accounting in accordance with MFRS 9 (after taking into account any rebalancing of the hedging relationship on transition), are regarded as continuing hedging relationships. Any gain or loss from such rebalancing must be recognised in P&L.

The Company does not carry out any hedging activities, therefore, it will not have any significant impact on the Company's financial statements.

The Company expects to defer the adoption of MFRS 9 until it adopts the new Insurance Contracts Standard (MFRS 17) on 1 January 2021 as it meets the predominance criteria specified under the Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts as described on the following page. It will perform a full assessment of MFRS 9 in 2018.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 9 Financial Instruments (Cont'd.)

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

The amendments to MFRS 4 was issued to address issues arising from the different effective dates of MFRS 9 and the new insurance contracts standard (MFRS 17). The amendments introduce two alternative options of applying MFRS 9 for entities issuing contracts within the scope of MFRS 4: 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 and continue to apply MFRS 139 to financial assets and liabilities.

An entity may apply the temporary exemption from MFRS 9 if: (i) it has not previously applied any version of MFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

Classification and measurement of the financial instruments under MFRS 9 is predominantly connected with valuation of insurance liabilities. As 90% of the Company's liabilities are relating to insurance contracts, the Company opted to apply the temporary exemption from MFRS 9 and, therefore, continue to apply MFRS 139 to its financial assets and liabilities in its reporting period starting on 1 January 2018 until adoption of MFRS 17 in its reporting period starting on 1 January 2021.

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 standard applies to all contracts with customers, except the following:

- (a) lease contracts within the scope of MFRS 117 Leases;
- (b) insurance contracts within the scope of MFRS 17 Insurance Contracts;
- (c) financial instruments and other contractual rights or obligations within the scope of MFRS 9 Financial Instruments, MFRS 10 Consolidated Financial Statements, MFRS 11 Joint Arrangements, MFRS 127 Separate Financial Statements and MFRS 128 Investments in Associates and Joint Ventures; and

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

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

- (d) non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

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

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

An assessment was carried out on the Company's revenue which are derived from the below:

- (a) 90% from Insurance business which is covered by MFRS 4 Insurance Contracts.
- (b) 7% from Investment income net of expenses covered by MFRS 139 on Financial Instruments.
- (c) 2% from Rental income covered by MFRS 16 Leases.
- (d) 1% from other income.

Accordingly, the Company has concluded that MFRS 15 does not have a significant impact on the financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 16 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.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

In addition, the nature of expenses related to those leases will now change as MFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Company will assess the financial impact of adopting MFRS 16 in 2018.

MFRS 17 Insurance Contracts

MFRS 17 will replace MFRS 4 Insurance Contracts. MFRS 17 applies to all types of insurance contracts (i.e life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general measurement model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Company expects to complete a gap assessment of the new MFRS 17 standard in 2018.

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3. PROPERTY AND EQUIPMENT

	* Land and buildings RM'000	Work in- progress RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2016	92,885	479	25,252	2,433	121,049
Additions	-	-	12,048	1,059	13,107
Reclassification/ Reclassification to intangible assets (Note 4)	-	(479)	65	-	(414)
Disposals	-	-	(675)	(775)	(1,450)
Write-offs	-	-	(4,713)	-	(4,713)
At 31 December 2016	92,885	-	31,977	2,717	127,579
At 1 January 2017	92,885	-	31,977	2,717	127,579
Additions	-	-	1,883	780	2,663
Reclassification to Investment Properties (Note 5)	(2,700)	-	-	-	(2,700)
Disposals	-	-	(1,432)	(629)	(2,061)
Write-offs	-	-	(419)	-	(419)
At 31 December 2017	90,185	-	32,009	2,868	125,062
Accumulated depreciation					
At 1 January 2016	2,631	-	18,163	1,686	22,480
Charge for the year	1,858	-	2,186	403	4,447
Disposals	-	-	(602)	(775)	(1,377)
Write-offs	-	-	(3,667)	-	(3,667)
At 31 December 2016	4,489	-	16,080	1,314	21,883
At 1 January 2017	4,489	-	16,080	1,314	21,883
Charge for the year	1,803	-	2,902	439	5,144
Reclassification to Investment Properties (Note 5)	(553)	-	-	-	(553)
Disposals	-	-	(1,413)	(592)	(2,005)
Write-offs	-	-	(410)	-	(410)
At 31 December 2017	5,739	-	17,159	1,161	24,059
Net carrying amount					
At 31 December 2016	88,396	-	15,897	1,403	105,696
At 31 December 2017	84,446	-	14,850	1,707	101,003

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3. PROPERTY AND EQUIPMENT (CONT'D.)

*** Land and buildings**

Company	Freehold properties RM'000	Long-term leasehold properties RM'000	Total RM'000
Cost			
At 1 January 2016/31 December 2016	86,265	6,620	92,885
	<u>86,265</u>	<u>6,620</u>	<u>92,885</u>
At 1 January 2017	86,265	6,620	92,885
Reclassification	-	(2,700)	(2,700)
At 31 December 2017	<u>86,265</u>	<u>3,920</u>	<u>90,185</u>
Accumulated depreciation			
At 1 January 2016	1,540	1,091	2,631
Charge for the year	1,725	133	1,858
At 31 December 2016	<u>3,265</u>	<u>1,224</u>	<u>4,489</u>
At 1 January 2017	3,265	1,224	4,489
Charge for the year	1,725	78	1,803
Reclassification	-	(553)	(553)
At 31 December 2017	<u>4,990</u>	<u>749</u>	<u>5,739</u>
Net carrying amount			
At 31 December 2016	<u>83,000</u>	<u>5,396</u>	<u>88,396</u>
At 31 December 2017	<u>81,275</u>	<u>3,171</u>	<u>84,446</u>

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4. INTANGIBLE ASSETS

	Club membership RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2016	715	5,092	5,807
Additions	-	14,791	14,791
Reclassification from property and equipment (Note 3)	-	414	414
Write-offs	-	(267)	(267)
At 31 December 2016	715	20,030	20,745
At 1 January 2017	715	20,030	20,745
Additions	61	9,052	9,113
Disposals	(60)	-	(60)
Write-offs	-	(6)	(6)
At 31 December 2017	716	29,076	29,792
Accumulated amortisation			
At 1 January 2016	-	4,015	4,015
Charge for the year	-	898	898
Write-offs	-	(105)	(105)
At 31 December 2016	-	4,808	4,808
At 1 January 2017	-	4,808	4,808
Charge for the year	-	2,250	2,250
Disposals	-	-	-
Write-offs	-	(6)	(6)
At 31 December 2017	-	7,052	7,052
Net carrying amount			
At 31 December 2016	715	15,222	15,937
At 31 December 2017	716	22,024	22,740

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5. INVESTMENT PROPERTIES

	2017	2016
	RM'000	RM'000
At 1 January	18,030	19,280
Reclassification from Land and Buildings (Note 3)	2,147	-
Fair value adjustment (Note 19)	3,553	(1,250)
At 31 December	<u>23,730</u>	<u>18,030</u>

Investment properties are stated at fair value in accordance with the policy described in Note 2.2(c) and has been determined based on valuations that reflect market conditions as at the reporting date, using the comparison method. The Company revalued its investment properties based on independent valuation performed by an independent accredited valuer.

The fair value of Investment Properties are categorised under Level 3 of the fair value hierarchy as disclosed in Note 29.

The rental income and operating expenses in relation to the investment property are as disclosed below:

	2017	2016
	RM'000	RM'000
Rental income derived from investment property	1,483	1,098
Direct operating expenses (including repairs and maintenance) generating rental income	(185)	(171)
Profit arising from investment property	<u>1,298</u>	<u>927</u>

6. INVESTMENTS

	2017	2016
	RM'000	RM'000
Malaysian Government Securities	5,054	5,417
Corporate Bonds	302,427	281,928
Warrants	66	299
Equity securities	115,032	114,896
Unit trust funds/wholesale funds	911,408	753,820
Deposits with financial institutions	18,807	15,627
	<u>1,352,794</u>	<u>1,171,987</u>

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6. INVESTMENTS (CONT'D.)

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

	2017	2016
	RM'000	RM'000
Financial asset at fair value through profit or loss ("FVTPL")	66	299
Held-to-maturity financial assets ("HTM")	15,019	25,031
Loans and receivables ("LAR")	18,807	15,627
Available-for-sale financial assets ("AFS")	1,318,902	1,131,030
	<u>1,352,794</u>	<u>1,171,987</u>

(a) Financial asset at FVTPL

	2017	2016
	RM'000	RM'000
Fair Value		
Held for trading ("HFT") : Warrants	66	299
	<u>66</u>	<u>299</u>

(b) HTM financial assets

	2017	2016
	RM'000	RM'000
Amortised Cost		
Corporate Bonds	15,019	25,031
	<u>15,019</u>	<u>25,031</u>
Fair Value		
Corporate Bonds	14,806	24,704
	<u>14,806</u>	<u>24,704</u>

(c) LAR

	2017	2016
	RM'000	RM'000
Amortised Cost		
Deposits with licensed financial institutions:		
- Commercial banks	18,807	15,627
	<u>18,807</u>	<u>15,627</u>

The carrying value of the deposits approximates fair value due to their relatively short term maturities.

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6. INVESTMENTS (CONT'D.)

(d) AFS financial assets

	2017	2016
	RM'000	RM'000
Fair Value		
Equity securities:		
- Quoted in Malaysia	114,762	114,190
- Quoted outside Malaysia	152	588
Unit trust funds	911,408	753,820
Malaysian Government Securities	5,054	5,417
Corporate Bonds	287,408	256,897
	<u>1,318,784</u>	<u>1,130,912</u>
Cost		
Equity securities:		
- Unquoted in Malaysia	118	118
	<u>1,318,902</u>	<u>1,131,030</u>

The unquoted securities are valued at cost less impairment. The fair value of these equities has not been disclosed because the fair value cannot be measured reliably as there is no comparable quoted equity instrument on which fair value may be determined.

7. REINSURANCE ASSETS

	2017	2016
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities (Note 13)	251,503	208,667
Premium liabilities (Note 13)	30,049	38,120
	<u>281,552</u>	<u>246,787</u>

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8. INSURANCE RECEIVABLES

	2017	2016
	RM'000	RM'000
Due premiums including agents, brokers and co-insurers balances	96,102	74,090
Due from reinsurers and cedants	7,029	8,146
Due from related parties (Note 25)	3,595	4,698
	<u>106,726</u>	<u>86,934</u>
Allowance for impairment losses	(13,172)	(14,963)
	<u>93,554</u>	<u>71,971</u>

Amount due from reinsurers and cedants that have been offset against amount due to the same are as follows:

	Gross carrying amount	Gross amounts offset in the Statement of Financial Position	Net amounts in the Statement of Financial Position
	RM'000	RM'000	RM'000
31 December 2017			
Premiums	232,371	(232,222)	149
Claims	39,398	(32,518)	6,880
	<u>271,769</u>	<u>(264,740)</u>	<u>7,029</u>
31 December 2016			
Premiums	234,807	(233,486)	1,321
Claims	7,518	(693)	6,825
	<u>242,325</u>	<u>(234,179)</u>	<u>8,146</u>

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8. INSURANCE RECEIVABLES (CONT'D.)

Receivables that are impaired

The movement of the allowance accounts used to record the impairment loss and the analysis of the Company's insurance receivables that are individually and collectively impaired at the reporting date are as follows:

Movement in allowance account	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2016	1,348	12,842	14,190
Allowance for impairment loss	173	600	773
Reversal of allowance for impairment losses	(45)	(142)	(187)
Bad debts written-off net of recovery	45	142	187
At 31 December 2016	<u>1,521</u>	<u>13,442</u>	<u>14,963</u>
At 1 January 2017	1,521	13,442	14,963
Allowance for/(write-back of) impairment loss	625	(2,416)	(1,791)
Reversal of allowance for impairment losses	-	(91)	(91)
Bad debts written-off net of recovery	-	91	91
At 31 December 2017	<u>2,146</u>	<u>11,026</u>	<u>13,172</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

9. OTHER RECEIVABLES

	2017 RM'000	2016 RM'000
Other receivables and deposits	7,713	7,119
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (net)*	53,403	55,725
Staff loans **	30	27
Interest income due and accrued	3,514	14,237
Due from related parties (Note 25)	265	738
	<u>64,925</u>	<u>77,846</u>
Staff loans**:		
- Unsecured	<u>30</u>	<u>27</u>

The carrying amounts of financial assets disclosed above approximate fair values at balance sheet date.

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9. OTHER RECEIVABLES (CONT'D.)

- * As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of net assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Note 13.

The net assets held under MMIP of the Company also includes cumulative net cash contribution paid to MMIP for RM25,359,477 (2016 : RM25,359,477).

- ** The unsecured staff loans are interest-free.

10. DEFERRED TAX LIABILITIES

	2017 RM'000	2016 RM'000
At beginning of year	(5,655)	(2,981)
Recognised in AFS fair value reserve	(2,528)	(951)
Recognised in the income statement (Note 23)	1,485	(1,723)
At end of year	<u>(6,698)</u>	<u>(5,655)</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	11,228	9,303
Deferred tax liabilities	<u>(17,926)</u>	<u>(14,958)</u>
	<u>(6,698)</u>	<u>(5,655)</u>

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

Deferred tax assets	Premium liabilities RM'000	Other provision RM'000	Provision for impairment of investments RM'000	Total RM'000
At 1 January 2016	176	3,951	4,146	8,273
Recognised in the income statement	(391)	2,138	(717)	1,030
At 31 December 2016	<u>(215)</u>	<u>6,089</u>	<u>3,429</u>	<u>9,303</u>
At 1 January 2017	(215)	6,089	3,429	9,303
Recognised in the income statement	(115)	284	1,756	1,925
At 31 December 2017	<u>(330)</u>	<u>6,373</u>	<u>5,185</u>	<u>11,228</u>

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10. DEFERRED TAX LIABILITIES (CONT'D.)

Deferred tax liabilities

	Others RM'000	Available- for-sale fair value reserve RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2016	(252)	(6,331)	(4,671)	(11,254)
Recognised in AFS reserve	-	(951)	-	(951)
Recognised in the income statement	123	-	(2,876)	(2,753)
At 31 December 2016	(129)	(7,282)	(7,547)	(14,958)
At 1 January 2017	(129)	(7,282)	(7,547)	(14,958)
Recognised in AFS reserve	-	(2,528)	-	(2,528)
Recognised in the income statement	(131)	-	(309)	(440)
At 31 December 2017	(260)	(9,810)	(7,856)	(17,926)

11. CASH AND CASH EQUIVALENTS

	2017 RM'000	2016 RM'000
Fixed and call deposits with licensed financial institutions (with original maturity of less than three months)	50,396	95,062
Cash and bank balances	27,011	26,321
	<u>77,407</u>	<u>121,383</u>
Fixed and call deposits were placed with:		
- Investment banks	4,635	14,083
- Commercial banks	45,761	80,979
	<u>50,396</u>	<u>95,062</u>

12. SHARE CAPITAL

	Number of ordinary shares		Amount	
Company	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Issued and fully paid:				
At beginning/end of year	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>

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13. INSURANCE CONTRACT LIABILITIES

	Note	2017			2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		489,702	(180,652)	309,050	417,905	(130,663)	287,242
Provision for IBNR		236,700	(70,851)	165,849	233,611	(78,004)	155,607
Claim liabilities	(a)	726,402	(251,503)	474,899	651,516	(208,667)	442,849
Premium liabilities	(b)	337,364	(30,049)	307,315	331,219	(38,120)	293,099
Insurance contract liabilities		1,063,766	(281,552)	782,214	982,735	(246,787)	735,948
(a) Claim liabilities							
At 1 January							
Claims incurred for the current accident year		651,516	(208,667)	442,849	827,843	(389,469)	438,374
Adjustment to claims incurred in prior accident years (direct & facultative)		522,544	(113,212)	409,332	379,386	(19,857)	359,529
Movement in MMIP claims liabilities		520,725	(110,947)	409,778	414,774	(41,535)	373,239
Claims incurred during the year (treaty inwards claims)		(7,687)	-	(7,687)	(16,827)	-	(16,827)
Movement in Fund PRAD of claims liabilities at 75% confidence level		(305)	-	(305)	682	-	682
Movement in claims handling expenses		7,137	(2,265)	4,872	(19,625)	21,678	2,053
Claims paid during the year		2,674	-	2,674	382	-	382
		(447,658)	70,376	(377,282)	(555,713)	200,659	(355,054)
At 31 December							
		726,402	(251,503)	474,899	651,516	(208,667)	442,849

The reinsurance assets is stated net of accumulated individual impairment losses of RM1.0 million (2016 : RM1.0 million).

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13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	2017			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
(b) Premium liabilities						
At 1 January	331,219	(38,120)	293,099	311,541	(54,992)	256,549
Premiums written during the year	776,228	(164,042)	612,186	730,228	(129,629)	600,599
Premiums earned during the year	(770,083)	172,113	(597,970)	(710,550)	146,501	(564,049)
At 31 December	337,364	(30,049)	307,315	331,219	(38,120)	293,099

As at 31 December 2017, the insurance contract liabilities above includes the Company's share of MMIP's claim and premium liabilities amounting to RM42,806,592 (2016: RM50,493,758) and RM3,719,106 (2016: RM4,953,797) respectively.

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14. INSURANCE PAYABLES

	2017 RM'000	2016 RM'000
Amount due to agents, brokers, insureds and co-insurers	33,677	30,351
Amount due to reinsurers and ceding companies	45,755	24,917
Amount due to related parties (Note 25)	3,588	2,650
	<u>83,020</u>	<u>57,918</u>

The Company's amount due to reinsurers and ceding companies that have been offset against amount due from the same are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the Statement of Financial Position RM'000	Net amounts in the Statement of Financial Position RM'000
31 December 2017			
Premiums	262,076	(224,289)	37,787
Claims	18,546	(10,578)	7,968
	<u>280,622</u>	<u>(234,867)</u>	<u>45,755</u>
31 December 2016			
Premiums	286,568	(261,350)	25,218
Claims	392	(693)	(301)
	<u>286,960</u>	<u>(262,043)</u>	<u>24,917</u>

15. OTHER PAYABLES

	2017 RM'000	2016 RM'000
Accrued liabilities	40,317	30,682
Other payables	1,553	880
Cash collateral held on behalf of insureds	5,833	6,545
Unallocated deposit	17,830	-
Amount due to related parties (Note 25)	975	759
	<u>66,508</u>	<u>38,866</u>

The carrying amounts of financial liabilities disclosed above approximate fair values at balance sheet date. All amounts are payable within a year.

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16. NET EARNED PREMIUMS

	2017 RM'000	2016 RM'000
(a) Gross earned premiums		
General insurance contracts	776,228	730,228
Change in premium liabilities	(6,145)	(19,678)
	<u>770,083</u>	<u>710,550</u>
(b) Premiums ceded to reinsurers		
General reinsurance contracts	(164,042)	(129,629)
Change in premium liabilities	(8,071)	(16,872)
	<u>(172,113)</u>	<u>(146,501)</u>
Net Earned Premiums	<u>597,970</u>	<u>564,049</u>

17. INVESTMENT INCOME

	2017 RM'000	2016 RM'000
Rental income from investment properties	1,298	927
Interest income from HTM financial assets	768	768
Interest income from AFS financial assets	13,412	13,754
HTM financial assets amortisation of premiums, net of accretion of discounts	(259)	(229)
Dividend/distribution income from AFS financial assets	36,548	28,120
LAR fixed and call deposits interest income	3,310	5,260
Other investment income, net of investment expenses	(540)	3,278
	<u>54,537</u>	<u>51,878</u>

18. REALISED GAINS OR LOSSES

	2017 RM'000	2016 RM'000
Property and equipment		
Realised gain	173	77
AFS financial assets:		
Realised gains:		
Equity securities	34	-
Unit trust distribution	3,811	20
Malaysian Government Securities	173	
Corporate Bonds	63	1,199

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18. REALISED GAINS OR LOSSES (CONT'D.)

	2017 RM'000	2016 RM'000
Realised losses:		
Equity securities	-	(14)
Unit trust distribution	(8)	-
Malaysian Government Securities	(113)	-
Corporate Bonds	(20)	(715)
	<u>4,113</u>	<u>567</u>

19. FAIR VALUE LOSSES

	2017 RM'000	2016 RM'000
Fair value adjustment on investment properties (Note 5)	3,553	(1,250)
Fair value adjustment for FVTPL	(232)	(312)
Impairment loss on AFS financial assets	(10,437)	(3,237)
	<u>(7,116)</u>	<u>(4,799)</u>

20. OTHER OPERATING INCOME

	2017 RM'000	2016 RM'000
Realised (loss)/gain on foreign exchange	(376)	(265)
Sundry income (net of expenses)	1,348	2,104
	<u>972</u>	<u>1,839</u>

21. NET CLAIMS INCURRED

	Note	2017 RM'000	2016 RM'000
(a) Gross claims paid	13	(447,658)	(555,713)
(b) Claims ceded to reinsurers	13	70,376	200,659
(c) Gross change in contract liabilities		(74,886)	176,327
(d) Change in contract liabilities ceded to reinsurers		42,836	(180,802)
		<u>(409,332)</u>	<u>(359,529)</u>

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22. MANAGEMENT EXPENSE

	2017 RM'000	2016 RM'000
Employee benefits expense (Note22(a))	69,398	69,521
Non Executive Directors' fees and allowances (Note22(b)(iii))	296	158
Auditors' remuneration:		
- statutory audits	244	211
- regulatory related fees	48	48
- other services	85	71
Rental of properties	736	1,899
Depreciation of property and equipment	5,144	4,447
Property and equipment written-off	9	1,211
Intangible assets written-off	36	-
Amortisation of intangible assets	2,250	898
(Write-back of)/allowance for impairment losses on insurance receivables	(1,791)	773
Bad debts written-off	91	187
Computer service charges	16,662	5,486
Other expenses	39,049	34,833
	<u>132,257</u>	<u>119,743</u>

(a) Employee benefits expense

	2017 RM'000	2016 RM'000
Wages, salaries and bonus	57,599	55,642
Social security contributions	607	559
Contributions to defined contribution plan, EPF	8,490	8,626
Other benefits	2,702	4,694
	<u>69,398</u>	<u>69,521</u>

Included in above are remuneration paid to Chief Executive Officer ("CEO") and Executive Director of RM2,193,634 (2016: RM3,493,105) as further disclosed in Note 22(b).

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22. MANAGEMENT EXPENSE (CONT'D.)

(b) Directors' fees and allowances

The details of remuneration received/receivable during the financial year as included in Note 22(a) was as follows:

	2017	2016
	RM'000	RM'000
(i) Chief Executive Officer		
Tan Sek Kee * appointed as CEO on 15 March 2017		
- Salaries	761	-
- Contribution to defined contribution plan, EPF	115	-
- Benefits-in-kind	25	-
	<u>901</u>	<u>-</u>
(ii) Executive Director		
Dato' Loh Lye Ngok * resigned as CEO on 15 March 2017		
- Salaries	940	1,208
- Bonus	112	327
- Contribution to defined contribution plan, EPF	158	231
- Benefits-in-kind	35	35
- Gratuity	38	1,631
- Allowance	10	-
	<u>1,293</u>	<u>3,432</u>
Yuji Kawauchi * resigned on 16 August 2016		
- Benefits-in-kind	-	19
- Allowance	-	42
	<u>-</u>	<u>61</u>
Total remuneration for Executive Directors	<u>2,194</u>	<u>3,493</u>
(iii) Non-Executive directors		
Directors' fees		
- Dato' Haji Ahmad Bin Sidek	-	34
- Azhar Bin Mohamad	78	60
- Dato' Yong Bun Fou	54	30
- Ahmad Subri Bin Abdullah	50	-
- Tan Sri Dr. Ong Hong Peng	25	-
- Tan Chong Liong	24	-
	<u>231</u>	<u>124</u>
Meeting allowances		
- Dato' Haji Ahmad Bin Sidek	-	10
- Azhar Bin Mohamad	19	17
- Dato' Yong Bun Fou	18	7
- Ahmad Subri Bin Abdullah	12	-
- Tan Sri Dr. Ong Hong Peng	9	-
- Tan Chong Liong	7	-
	<u>65</u>	<u>34</u>
Total fees and allowances for non-executive directors	<u>296</u>	<u>158</u>

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23. INCOME TAX EXPENSE

	2017 RM'000	2016 RM'000
Income tax:		
- Current income tax	9,000	16,328
- (Over)/under-provision in prior years	(1,095)	2,576
	<u>7,905</u>	<u>18,904</u>
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	(1,879)	(1,488)
Relating to reduction		
- Income tax rate from the reclassification of Investment Property	(201)	(274)
- Under provision in prior years	595	3,485
	<u>(1,485)</u>	<u>1,723</u>
Tax expense for the year	<u>6,420</u>	<u>20,627</u>

Current income tax is calculated at the Malaysian tax rate of 24% on the estimated assessable profit for the year.

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

	2017 RM'000	2016 RM'000
Profit before tax	<u>54,530</u>	<u>75,657</u>
Taxation at Malaysian statutory tax rate of 24%	13,087	18,158
Effect of income not subject to tax	(8,405)	(6,598)
Effect of expenses not deductible for tax purposes	2,439	3,280
Income tax effect due to reclassification 'of investment property	(201)	(274)
Underprovision of deferred tax in prior years	595	3,485
Provision of income tax in prior years	(1,095)	2,576
Tax expense for the year	<u>6,420</u>	<u>20,627</u>

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24. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the financial year.

	2017	2016
Net profit for the year (RM'000)	<u>48,110</u>	<u>55,030</u>
Number of ordinary shares in issue ('000)	<u>118,000</u>	<u>118,000</u>
Basic and diluted earnings per share (sen)	<u>40.8</u>	<u>46.6</u>

There were no potential dilutive effects on the ordinary shares during and at the end of the financial year. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

25. RELATED PARTY DISCLOSURES

(a) Related parties

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

In the normal course of business, the Company undertakes various transactions with subsidiary and associated companies of its ultimate holding company and other companies deemed related parties by virtue of common directors' shareholdings and a corporate shareholder's interest in its ultimate holding company. The transactions between 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.

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

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25. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances

The significant related party transactions during the year are as follows:

	2017	2016
	RM'000	RM'000
Related party transactions:		
(Expenses)/income:		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.		
Premium ceded	(23,975)	(16,878)
Commission received	6,601	5,411
Claims recoveries	5,039	2,583
Expenses	(28)	-
	<u> </u>	<u> </u>
Holding Company:		
- Sompo Holdings (Asia) Pte. Ltd.		
(Formerly knowns as Sompo Japan Asia Holdings Pte. Ltd.)		
Premium ceded	16	(1,038)
Commission received	(3)	223
Claims recoveries	237	944
Expenses recoveries	4,139	-
Expenses	(7,613)	(759)
	<u> </u>	<u> </u>
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Premium ceded	(9,803)	(8,521)
Commission received	2,898	2,434
Claims recoveries	1,586	1,838
	<u> </u>	<u> </u>
Corporate shareholder:		
- Berjaya Corporation Berhad and its related companies		
Gross premium income	26,034	27,596
Brokerage fee	(3,430)	(3,640)
	<u> </u>	<u> </u>
Related party balances:		
Due to related companies		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.	<u>(3,157)</u>	<u>(2,265)</u>
Holding Company:		
- Sompo Holdings (Asia) Pte. Ltd.	<u>(947)</u>	<u>(759)</u>

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25. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances (Cont'd.)

	2017 RM'000	2016 RM'000
Related party balances:		
Due to related companies (Cont'd.)		
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	(459)	(385)
Related party balances:		
Due from related company:		
Corporate shareholder		
- Berjaya Corporation Berhad and its related companies	3,313	4,029
Holding Company:		
- Sompo Holdings (Asia) Pte. Ltd.	6	929
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	541	478

The above balances are included in Note 8 Insurance Receivables, Note 9 Other Receivables, Note 14 Insurance Payables and Note 15 Other Payables.

The balances with related companies above are trade and non-trade in nature, and are unsecured, interest-free and repayable within normal commercial terms for trade balances and upon demand for non-trade balances.

Compensation of key management personnel

The remuneration of Company's Executive Directors and Chief Executive Officer during the financial year was as follows:

	2017 RM'000	2016 RM'000
Short term employee benefits		
- Salaries, allowances and bonus	1,823	1,577
- Other remuneration	273	231
- Benefits-in-kind	60	54
- Gratuity	38	1,631
	<u>2,194</u>	<u>3,493</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)**26. RISK MANAGEMENT FRAMEWORK****(a) Risk Management Policy**

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

Under the ERM, the Company adopts the three lines of defence approach, where the Business Units functions as the "first line of defence", while the risk control unit ("second line of defence") rests on Risk Management and Compliance, providing an independent oversight to assist the Management in achieving its strategic plans and missions by implementing risk management and compliance activities across the organisation. Internal Audit functions as the "third line of defence", providing independent assurance that the risk management process is functioning as designed and identifies improvement opportunities through recommendation.

(b) Risk Governance Structure

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

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

Risk Management Working Committee ("RMWC") has been established by RMC to serve as a medium between the RMC and the Management. This Committee will oversee the daily risk management activities of the Company to ensure that risk inherent in daily business activities is managed efficiently and effectively and will report regularly to the RMC on its recommendations and/or decisions.

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

26. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(b) Risk Governance Structure (Cont'd.)

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

(c) Capital Management Plan

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

The Company's capital management is driven by the business strategies and taking into consideration the impact of business and regulatory environment in which the Company operates in. To comply with the RBC Framework, the Company has also set an Internal Capital Adequacy Ratio which is above the minimum regulatory requirements.

(d) Internal Capital Adequacy Assessment Process ("ICAAP") Policy

The ICAAP Policy covers the activities of Company which is regulated by BNM under the FSA 2013. The main objective of the ICAAP is to ensure the Company has sufficient capital to adequately fund day to day operations, whether adverse events and meet requirements as an on-going entity considering its risk profile and the ability to manage these risks.

(e) Stress Testing

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under adverse yet plausible events. The stress test results together with the mitigating plans are tabled at least annually or from time to time as specified by BNM for the Board's deliberation.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK

Underwriting and insurance risk is the exposure to the financial loss resulting from the selection and approval of risk to be insured, the adjudication of claims and the management of contractual and non-contractual cover.

The Company has instituted documented standards of risk selection, underwriting authorities, risk management engineering, pricing guidelines and risk accumulation limits. Reinsurance is placed to minimise certain insurance risks within approved limits and security. Claims approval and claims settlement authorities are clearly defined for prudent control on financial exposure. Regular underwriting and claims audits are performed by internal auditors to ensure strict compliance with the Company's guidelines and standards.

(a) Concentration of risks by class of business

General insurance business premiums by type of product:

	2017			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	411,920	(17,625)	394,295	388,409	(16,989)	371,420
Fire	111,480	(60,788)	50,692	99,822	(46,687)	53,135
Marine, Aviation & Transit	27,052	(13,230)	13,822	26,740	(12,266)	14,474
Miscellaneous	225,776	(72,399)	153,377	215,257	(53,687)	161,570
	<u>776,228</u>	<u>(164,042)</u>	<u>612,186</u>	<u>730,228</u>	<u>(129,629)</u>	<u>600,599</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK (CONT'D.)

(a) Concentration of risks by class of business (cont'd.)

General insurance business premiums by type of product: (cont'd.)

	2017			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Premium Liabilities						
Motor	219,313	(4,711)	214,602	210,182	(9,882)	200,300
Fire	29,142	(12,129)	17,013	18,270	(7,660)	10,610
Marine, Aviation & Transit	4,888	(2,685)	2,203	5,663	(2,867)	2,796
Miscellaneous	84,021	(10,524)	73,497	97,104	(17,711)	79,393
	337,364	(30,049)	307,315	331,219	(38,120)	293,099
Claims Liabilities						
Motor	383,445	(31,247)	352,198	367,133	(37,066)	330,067
Fire	96,888	(75,627)	21,261	58,173	(37,828)	20,345
Marine, Aviation & Transit	13,979	(7,609)	6,370	18,651	(11,380)	7,271
Miscellaneous	232,090	(137,020)	95,070	207,559	(122,393)	85,166
	726,402	(251,503)	474,899	651,516	(208,667)	442,849

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)**27. INSURANCE RISK****(b) Sensitivity analysis****Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD")) and provision for claims handling costs.

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

Sensitivities

The Appointed Actuary is engaged to run a sensitivity analysis of the liabilities and comparison of past valuation results. The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process. Hence, the actuary has carried out the sensitivity analyses by testing the sensitivity of the following key assumptions:

- Average claim cost
- Average number of claims; and
- Average claim settlement period.

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% or 6 months increase) with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK

(b) Sensitivity analysis (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 2017					
Average Claims Cost	+10%	57,522	34,782	(34,782)	(26,087)
Average Number of Claims	+10%	61,363	38,575	(38,575)	(28,931)
Average Claim Settlement Period	Increased by 6 months	7,312	4,580	(4,580)	(3,435)
31 December 2016					
Average Claims Cost	+10%	70,970	48,468	(48,468)	(36,351)
Average Number of Claims	+10%	42,816	25,968	(25,968)	(19,476)
Average Claim Settlement Period	Increased by 6 months	6,158	4,823	(4,823)	(3,617)

** Impact on Equity reflects adjustments for tax, when applicable*

A change in the assumption in the opposite direction would result in an opposite but equivalent impact. The method used in performing the sensitivity analysis is consistent with prior year.

(c) Claims Development Table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development; the margin to ensure adequacy of provisions is relatively high. As claims develop and the ultimate cost of claims becomes more certain, the margin decreases.

Claims development triangles have been re-created on a quarterly basis instead of annually beginning from the current financial year, with effect from 1 January 2017. The periods for accident years 2011 and prior have been revised to begin in January instead of to begin in May (which coincided with the Company's previous year-end 30 April). Hence the incurred loss data for accident years 2011 and prior have been omitted in these tables.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK

(c) Claims Development Table (Cont'd.)

Gross General Insurance Contract Liabilities for 2017 (RM '000)

Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year					295,219	338,905	390,854	600,496	504,739	580,792	
One year later					282,486	325,678	379,357	531,144	445,703		
Two years later					289,540	309,973	378,327	522,985			
Three years later					279,734	298,660	375,216				
Four years later					271,928	298,929					
Five years later					275,113						
Six years later			275,440	291,642							
Seven years later		265,263									
Eight years later											
Nine years later	251,314										
Current estimate of cumulative claims incurred	251,314	265,263	275,440	291,642	275,113	298,929	375,216	522,985	445,703	580,792	3,582,397

Cumulative Claims Paid

At end of accident year	81,429	107,105	117,390	130,724	119,925	136,400	144,585	182,354	215,810	235,212	
One year later	177,584	206,360	217,683	236,200	215,423	232,463	256,421	420,405	352,578		
Two years later	214,093	237,136	243,286	264,552	250,897	254,181	327,972	467,097			
Three years later	238,727	250,583	257,386	273,622	259,519	266,728	340,876				
Four years later	244,198	256,065	260,314	275,971	263,357	271,026					
Five years later	248,541	257,612	262,020	277,681	264,607						
Six years later	249,975	260,804	263,024	278,095							
Seven years later	250,680	261,961	263,733								
Eight years later	250,809	262,878									
Nine years later	250,947										
Cumulative payments to date	250,947	262,878	263,733	278,095	264,607	271,026	340,876	467,097	352,578	235,212	2,987,049

Gross general insurance outstanding liabilities (direct and facultative inwards)

Case Reserves for Accident Years Prior to 2009	367	2,385	11,707	13,547	10,506	27,903	34,340	55,888	93,125	345,580	595,348
Treaty Inwards											669
MMIP claim liabilities											1,547
Best Estimate of Claim Liabilities											42,807
Claim Handling Expenses											640,371
Fund PRAD at 75% Confidence Interval											10,183
Gross general insurance contract liabilities (Note 13)											726,402

* Please refer to Note 27 (c) page 93 for explanation.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK (CONT'D.)

(c) Claims Development Table (Cont'd.)

Gross General Insurance Contract Liabilities for 2016 (RM '000)

Accident Year	2008	2009	2010	30.04.2011	31.12.2011	2012	2013	2014	2015	2016	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year											
One year later		283,350	287,709	315,751	200,827	295,219	338,905	390,854	600,496	504,739	
Two years later		215,547	285,751	310,577	220,868	282,486	325,678	379,357	531,144		
Three years later		218,525	287,740	303,543	212,340	289,540	309,973	378,327			
Four years later		218,009	278,040	301,697	201,481	271,928	298,660				
Five years later		214,093	273,151	269,032	197,835						
Six years later		209,806	268,203	264,643							
Seven years later		206,650	263,217	262,743							
Eight years later		203,907	263,015								
Nine years later		203,777									
Current estimate of cumulative claims incurred	203,777	263,015	262,743	293,687	197,835	271,928	298,660	378,327	531,144	504,739	3,205,855
Cumulative Claims Paid											
At end of accident year											
One year later	74,873	94,519	121,630	131,049	65,454	120,830	137,093	146,210	184,676	220,921	
Two years later	150,182	189,035	206,994	217,351	156,677	215,667	231,664	255,704	417,890		
Three years later	170,109	229,616	231,273	249,553	176,052	251,009	253,250	327,130			
Four years later	190,043	245,909	248,681	269,658	180,830	259,632	265,796				
Five years later	196,842	253,022	254,798	276,000	182,488	263,471					
Six years later	200,554	258,699	256,628	277,856	183,724						
Seven years later	202,308	260,391	259,891	279,263							
Eight years later	202,826	261,352	261,022								
Nine years later	203,206	261,565									
Cumulative payments to date	203,222	261,565	261,022	279,263	183,724	263,471	265,796	327,130	417,890	220,921	2,684,004

Gross general insurance outstanding liabilities (direct and facultative inwards)

Case Reserves for Accident Years Prior to 2008	
Treaty Inwards	555
MMIP claim liabilities	1,450
Best Estimate of Claim Liabilities	1,721
Claim Handling Expenses	14,424
Fund PRAD at 75% Confidence Interval	14,111
Gross general insurance contract liabilities (Note 13)	283,818

1,100

1,852

50,494

575,297

7,509

68,710

651,516

* Please refer to Note 27 (c) page 93 for explanation.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK

(c) Claims Development Table (Cont'd.)

Net General Insurance Contract Liabilities for 2017 (RM '000)

Accident Year	2008	2009	2010	2011	2,012	2013	2014	2015	2016	2017	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	*				250,321	267,467	305,055	364,968	418,060	449,265	
One year later					236,815	252,739	291,453	342,568	383,558		
Two years later					234,789	240,713	275,397	335,878			
Three years later					228,884	235,173	270,563				
Four years later					224,663	235,892					
Five years later					224,784						
Six years later				244,293							
Seven years later		223,775	236,540								
Eight years later											
Nine years later	208,720	223,775	236,540	244,293	224,784	235,892	270,563	335,878	383,558	449,265	2,813,268
Current estimate of cumulative claims incurred	208,720	223,775	236,540	244,293	224,784	235,892	270,563	335,878	383,558	449,265	2,813,268
Cumulative Claims Paid											
At end of accident year	74,902	98,017	108,964	121,779	113,260	120,388	132,711	166,472	201,116	215,190	
One year later	152,241	176,578	199,154	209,982	190,747	199,109	221,752	276,416	316,592		
Two years later	177,438	202,492	218,861	232,006	209,161	215,797	243,209	302,396			
Three years later	198,159	214,317	230,649	238,351	216,285	222,501	250,341				
Four years later	202,901	219,099	233,251	240,259	219,386	225,875					
Five years later	206,538	220,444	234,585	241,153	220,349						
Six years later	207,781	221,830	235,267	241,629							
Seven years later	208,285	222,824	235,703								
Eight years later	208,362	223,291									
Nine years later	208,453										
Cumulative payments to date	208,453	223,291	235,703	241,629	220,349	225,875	250,341	302,396	316,592	215,190	2,439,819
Net general insurance outstanding liabilities (direct and facultative inwards)											
Case Reserves for Accident Years Prior to 2009	267	484	837	2,664	4,435	10,017	20,222	33,482	66,966	234,075	373,449
Treaty Inwards											405
MMIP claim liabilities											1,547
Best Estimate of Claim Liabilities											42,807
Claim Handling Expenses											418,208
Fund PRAD at 75% Confidence Interval											10,183
Additional provision											45,494
Net general insurance contract liabilities (Note 13)											1,014
											474,899

* Please refer to Note 27 (c) page 93 for explanation.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. INSURANCE RISK (CONT'D.)

(c) Claims Development Table (Cont'd.)

Net General Insurance Contract Liabilities for 2016 (RM '000)

Accident Year	2008	2009	2010	30.04.2011	31.12.2011	2012	2013	2014	2015	2016	Total
Ultimate Claims Incurred	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of accident year	151,716	228,874	241,344	260,184	175,526	250,321	267,467	305,055	364,968	418,060	
One year later	171,844	234,672	240,602	263,707	176,436	236,815	252,739	291,453	342,568		
Two years later	179,078	239,689	244,690	262,851	171,128	234,789	240,713	275,397			
Three years later	181,291	240,792	239,310	257,357	168,901	228,884	235,173				
Four years later	180,360	233,458	233,943	255,273	165,150	224,663					
Five years later	177,406	228,230	228,145	252,880	163,275						
Six years later	173,743	223,356	223,793	249,735							
Seven years later	170,893	220,652	222,742								
Eight years later	169,363	220,560									
Nine years later	169,349										
Current estimate of cumulative claims incurred	169,349	220,560	222,742	249,735	163,275	224,663	235,173	275,397	342,568	418,060	2,521,522
Cumulative Claims Paid											
At end of accident year	61,683	86,389	103,322	121,391	61,935	114,139	121,059	134,283	168,712	206,053	
One year later	122,630	162,902	179,048	199,397	137,878	190,988	198,337	221,062	273,989		
Two years later	139,827	191,951	198,383	225,135	153,736	209,273	214,897	242,397			
Three years later	158,027	205,805	213,034	240,364	157,844	216,399	221,601				
Four years later	164,218	212,082	218,403	244,453	159,192	219,500					
Five years later	166,729	217,018	219,933	246,022	159,838						
Six years later	168,277	218,507	221,232	246,892							
Seven years later	168,750	219,284	222,179								
Eight years later	169,051	219,458									
Nine years later	169,062										
Cumulative payments to date	169,062	219,458	222,179	246,892	159,838	219,500	221,601	242,397	273,989	206,053	2,180,969
Net general insurance outstanding liabilities (direct and facultative inwards)											
Case Reserves for Accident Years Prior to 2008	287	1,102	563	2,843	3,437	5,163	13,572	33,000	68,579	212,007	340,553
Treaty Inwards											712
MMIP claim liabilities											1,852
Best Estimate of Claim Liabilities											50,494
Claim Handling Expenses											393,611
Fund PRAD at 75% Confidence Interval											7,509
Additional provision											40,621
Net general insurance contract liabilities (Note 13)											1,108
											442,849

BERJAYA SOMPO INSURANCE BERHAD
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28. FINANCIAL RISK

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.

(a) Credit Risk

Treaty reinsurers' and brokers' credit ratings are evaluated prior to entering into treaty arrangements. The Company observes the Bank Negara Malaysia Guidelines and internal Company policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Company has tightened the credit collection and recovery policies to expedite collections. The Company is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

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

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

BERJAYA SOMPO INSURANCE BERHAD
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28 FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating

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

31 December 2017	Neither impaired nor past-due					**Past-due but not impaired	
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000	impaired RM'000	Total RM'000
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	66	-	66
HTM financial assets							
Corporate Bonds	15,019	-	-	-	-	-	15,019
LAR							
Fixed and call deposits	10,000	8,627	-	180	-	-	18,807
AFS financial assets							
Equity securities	-	-	-	-	115,032	-	115,032
Unit trust funds	-	-	-	-	911,408	-	911,408
Malaysian Government Securities	-	-	-	-	5,054	-	5,054
Corporate Bonds	41,957	238,532	-	-	6,919	-	287,408
Reinsurance assets	-	2,527	208,007	-	40,969	-	251,503
Insurance receivables	-	-	122	-	56,963	36,469	93,554
Other receivables	-	-	-	-	64,925	-	64,925
Cash and cash equivalents	41,302	16,889	253	18,900	63	-	77,407
	108,278	266,575	208,382	19,080	1,201,399	36,469	1,840,183

* Based on public ratings assigned by reputable rating agencies.

** An ageing analysis for financial assets past due is provided on page 101.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

28. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

	Neither impaired nor past-due					**Past-due but not impaired RM'000	Total RM'000
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000		
31 December 2016							
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	299	-	299
HTM financial assets							
Corporate Bonds	15,024	10,007	-	-	-	-	25,031
LAR							
Fixed and call deposits	13,000	2,627	-	-	-	-	15,627
AFS financial assets							
Equity securities	-	-	-	-	114,896	-	114,896
Unit trust funds	-	-	-	-	753,820	-	753,820
Malaysian Government Securities							
Corporate Bonds	34,402	215,598	-	-	5,417	-	5,417
Reinsurance assets	-	2,788	160,622	-	6,897	-	256,897
Insurance receivables	-	-	-	-	45,257	-	208,667
Other receivables	-	-	229	-	40,984	30,758	71,971
Cash and cash equivalents	73,912	22,357	7,026	18,064	77,846	-	77,846
	136,338	253,377	167,877	18,064	1,045,440	30,758	1,651,854

* Based on public ratings assigned by reputable rating agencies.

** An ageing analysis for financial assets past due is provided on page 101.

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BERJAYA SOMPO INSURANCE BERHAD
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28. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Age Analysis of Financial Assets Past-Due But Not Impaired

	Past due but not impaired					Total RM'000
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	more than 180 days RM'000	
31 December 2017						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	8,667	9,095	5,908	7,547	3,967	35,184
Due from reinsurers and cedants	186	122	129	755	93	1,285
	8,853	9,217	6,037	8,302	4,060	36,469
31 December 2016						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	10,165	3,346	3,646	6,181	3,744	27,082
Due from reinsurers and cedants	134	1,037	257	1,183	1,065	3,676
	10,299	4,383	3,903	7,364	4,809	30,758

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28. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk

Liquidity risk is the risk where the Company is unable to meet its obligations in a timely manner at a reasonable cost at any time. The Company maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

Maturity Profiles

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

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

Premium liabilities and the reinsurers' share of the premium liabilities have been excluded from the analysis as these are not contractual obligations.

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28. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2017						
Financial assets:						
FVTPL - Warrant	66	66	-	-	-	66
HTM - Corporate Bonds	15,019	5,063	-	12,121	-	17,184
LAR - Deposits with licensed financial institutions	18,807	19,073	-	-	-	19,073
AFS - Equity Securities	115,032	-	-	-	115,032	115,032
AFS - Corporate Bonds	287,408	22,495	106,266	233,905	-	362,666
AFS - Unit trust funds	911,408	-	-	-	911,408	911,408
AFS - Malaysian Government Securities	5,054	-	-	6,424	-	6,424
Reinsurance assets - claim liabilities	251,503	121,652	111,495	18,356	-	251,503
Insurance receivables	93,554	93,554	-	-	-	93,554
Other receivables	64,925	10,175	1	-	54,749	64,925
Cash and cash equivalents	77,407	50,606	-	-	27,011	77,617
Total Assets	1,840,183	322,684	217,762	270,806	1,108,200	1,919,452
Insurance contract liabilities:						
Claim liabilities	726,402	417,089	281,135	28,178	-	726,402
Insurance payables	83,020	83,020	-	-	-	83,020
Other payables	66,508	43,270	4,170	1,238	17,830	66,508
Total Liabilities	875,930	543,379	285,305	29,416	17,830	875,930

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28. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2016						
Financial assets:						
FVTPL - Warrant	299	-	299	-	-	299
HTM - Corporate Bonds	25,031	5,155	5,249	18,669	-	29,073
LAR - Deposits with licensed financial institutions	15,627	16,039	-	-	-	16,039
AFS - Equity Securities	114,896	-	-	-	114,896	114,896
AFS - Corporate Bonds	256,897	1,557	115,727	210,348	-	327,632
AFS - Unit trust funds	753,820	-	-	-	753,820	753,820
AFS - Malaysian Government Securities	5,417	-	3,219	3,089	-	6,308
Reinsurance assets - claim liabilities	208,667	89,220	97,697	21,750	-	208,667
Insurance receivables	71,971	71,971	-	-	-	71,971
Other receivables	77,846	20,834	-	-	57,012	77,846
Cash and cash equivalents	121,383	95,284	-	-	26,321	121,605
Total Assets	1,651,854	300,060	222,191	253,856	952,049	1,728,156
Insurance contract liabilities:						
Claim liabilities	651,516	351,772	264,859	34,885	-	651,516
Insurance payables	57,918	57,918	-	-	-	57,918
Other payables	38,866	33,687	4,452	727	-	38,866
Total Liabilities	748,300	443,377	269,311	35,612	-	748,300

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28. FINANCIAL RISK (CONT'D.)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Company's policies on asset allocation, portfolio mix structure have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Compliance with the policies is monitored and reported to the Board and Investment Committee.

(d) Currency Risk

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

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

As the Company's business is conducted primarily in Malaysia, the Company's financial assets and its insurance contract liabilities are also primarily maintained in Malaysia, and denominated in RM.

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

(e) Interest Rate Risk

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

The investment in deposit placements is not exposed to have significant interest rate risk as the interest rates thereon are fixed rate and not affected by market interest movement. The Company is exposed to interest rate risk primarily through investment in fixed income securities. Nevertheless, the fair value of such investments are provided at Note 6.

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

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28. FINANCIAL RISK (CONT'D.)

(e) Interest Rate/Profit yield rate (Cont'd)

	<u>2017</u>		<u>2016</u>	
	Impact on Profit before tax RM'000	Impact on equity* RM'000	Impact on Profit before tax RM'000	Impact on equity* RM'000
Change in variable	<----- (Decrease) / Increase ----->			
Interest Rate +50bps	-	(24)	-	(55)
Interest Rate -50bps	-	24	-	55

(f) Price Risk

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

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

The Company is exposed to equity price risk arising from investments held by the Company, comprising quoted equities, warrants and unit trusts.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on profit before tax and equity.

		<u>2017</u>		<u>2016</u>	
		Impact on Profit before tax RM'000	Impact on equity* RM'000	Impact on Profit before tax RM'000	Impact on equity* RM'000
Change in variable		<----- (Decrease) / Increase ----->			
Market Indices					
Equity prices	+10%	7	11,491	60	11,478
Equity prices	-10%	(7)	(11,491)	(60)	(11,478)
NAV	+10%	-	91,141	-	75,382
NAV	-10%	-	(91,141)	-	(75,382)

* impact on Equity reflects adjustments for tax, when applicable

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

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28. FINANCIAL RISK (CONT'D.)

(g) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks.

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

(h) Compliance Risk

Compliance risk is the potential for losses and legal penalties due to failure to comply with laws or regulations, code of conduct and standards of best practice.

The Company conducts regular reviews across the various departments to ensure all business activities are complying with the regulatory and statutory requirements.

29. FAIR VALUE HIERARCHY

The tables below analyse assets which are carried at fair value and assets for which fair value is disclosed according to their fair value hierarchy, defined as follows:

i. Level 1

Quoted (unadjusted) market prices in active market for identical assets or liabilities

ii. Level 2

Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable

iii. Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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29. FAIR VALUE HIERARCHY (CONT'D.)

The tables below analyse assets carried at fair value and assets for which fair value is disclosed, according to their fair value hierarchy.

		2017				2016			
Note		Fair value measurement using:			Total RM'000	Fair value measurement using:			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Assets for which fair values are disclosed:									
HTM									
6 (b)	Corporate Bonds	-	14,806	-	14,806	-	24,704	-	24,704
		-	14,806	-	14,806	-	24,704	-	24,704
Assets measured at fair value on a recurring basis:									
5	Investment properties	-	-	23,730	23,730	-	-	18,030	18,030
FVTPL									
6 (a)	Warrants	66	-	-	66	299	-	-	299
AFS									
6 (d)	Equity securities	114,914	-	-	114,914	114,778	-	-	114,778
6 (d)	Unit trust funds	911,408	-	-	911,408	753,820	-	-	753,820
6 (d)	Corporate Bonds	-	287,408	-	287,408	-	256,897	-	256,897
6 (d)	'Malaysian Government Securities	-	5,054	-	5,054	-	5,417	-	5,417
		1,026,388	292,462	23,730	1,342,580	868,897	262,314	18,030	1,149,241

There has been no transfer between level 1 and level 2 of the fair value hierarchy during the financial year.

The fair value of the investment properties are categorised as Level 3 and valuations were derived based on the methods disclosed in Note 2.2(f). The reconciliation from opening to closing balances for assets valued under Level 3 of the fair value hierarchy is provided in Note 5. The significant unobservable input is the floor area and the weighted average value per square foot of the properties. The values of the unobservable input used was in the range of RM857 - RM2,917 (2016:RM262 - RM2,522) per square foot. The fair value would increase/(decrease) if the value per square foot and weighted average value per square foot used is higher/(lower).

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30. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital Framework issued by BNM, insurance companies are required to meet the minimum capital adequacy ratio of 130%. The Company has met the minimum regulatory capital requirement.

The total capital available of the Company as at 31 December 2017, as prescribed under the RBC Framework is provided below:

	Note	2017 RM'000	2016 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	12	118,000	118,000
Retained earnings		652,636	604,526
		<u>770,636</u>	<u>722,526</u>
Tier 2 Capital			
AFS fair value reserve		<u>31,063</u>	<u>23,056</u>
Deductions			
Intangible assets	4	<u>(22,740)</u>	<u>(15,937)</u>
Total capital available		<u>778,959</u>	<u>729,645</u>

31. CAPITAL COMMITMENTS

	2017 RM'000	2016 RM'000
Capital Expenditure approved and contracted for:		
Property and equipment	205	-
Intangible assets	9,588	2,714
	<u>9,793</u>	<u>2,714</u>

32. SIGNIFICANT AND SUBSEQUENT EVENT

On 22 February 2017, the Company received statutory notice of the proposed decision by MyCC that the Company and the other 21 members of PIAM have infringed one of the prohibitions under Part II of the Competition Act, 2010. The proposed decision includes a proposed financial penalty on BSIB and the other 21 members of PIAM totalling RM213,454,814. BSIB's share of the financial penalty is RM10,784,489.

On 25 April 2017, all members of PIAM submitted their respective response to the notice in the form of a written representation, supported by an Economist Report prepared by RBB Economics LLP, a competition economist appointed by PIAM on behalf of the members. Pursuant to the notice and submission, PIAM and all the members have also requested for an oral representation to be made before the MyCC Commissioners, which will include a presentation of the Economist Report by RBB Economics LLP.

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32. SIGNIFICANT AND SUBSEQUENT EVENT (CONT'D.)

On 25 September 2017, PIAM and all members of PIAM received the notice of the first oral representation session, which was fixed on 16 and 17 October 2017. The first session proceeded with an overview and management of the proceedings followed by an oral representation by PIAM, with BNM taking on a position as an observer. The second session of the oral representation continued on 12 December 2017 with the presentation of the Economist Report from RBB Economics. The third session was held on 14 December 2017 with 6 general insurers. The fourth session was on 29 and 30 January 2018 for the remaining general insurers, followed by BNM's oral representation session with the MyCC which was held on 26 February 2018.

MyCC will proceed to review all submissions made by PIAM and all members of PIAM as well as BNM to determine the finding of infringement under the Competition Act 2010.

There has not been any further development on the above case to the date of this report.