Building a better working world

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

Directors' Report and Audited Financial Statements
31 December 2016

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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BERJAYA SOMPO INSURANCE BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net profit for the year	55,030

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.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Company has complied with all the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under the Policy Document on Corporate Governance issued by Bank Negara Malaysia.

Composition of the Board

The Board of Directors (Board) currently comprises of three (3) Independent Non-Executive Directors("INED"), One (1) Non-Independent Non-Executive Director ("NINED") and Two (2) Non-Independent Executive Directors ("NIED").

CORPORATE GOVERNANCE (CONT'D.)

BOARD OF DIRECTORS (CONT'D.)

Composition of the Board (cont'd.)

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

<u>Name of Directors and Chief Executive Officer (CEO)</u>
Azhar Bin Mohamad (INED/Chairman) – appointed on 7th October 2016
Dato' Haji Ahmad bin Sidek (INED/Chairman) - retired on 8th June 2016
Dato' Sri Robin Tan Yeong Ching (NINED)
Dato' Loh Lye Ngok (CEO/NIED) - resigned as CEO on 15th March 2017
Datuk Yong Bun Fou (INED) - appointed on 9th June 2016
Ahmad Subri Bin Abdullah (INED) - appointed on 25th January 2017
Katsuyuki Tajiri (NIED)
Yuji Kawauchi (NIED) – resigned on 16th August 2016
Tan Sek Kee (CEO) – appointed on 15th March 2017

Duties and Responsibilities of the Board

The Board has overall responsibility for leading the Company and providing strategic directions in terms of setting and achieving corporate objectives, monitoring performance goals and business strategy of the Company. The Board's principal duties and responsibilities, amongst others, include the following:-

- Review and set the Company's strategic plan and direction and ensure that resources are available to meet its objectives;

- Supervise succession planning including the appointment, training, remuneration and performance review of the CEO, control function heads and other members of Senior Management;

- Review the adequacy and integrity of the Company's internal control systems and management information systems;

- Oversee the operations of the Company to ensure that the established targets are achieved;

- Identify key business risks and ensure the implementation of appropriate systems to manage these risks;

- Monitor the compliance with all relevant statutory and legal operations.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (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 52, 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 Nominating, Remuneration, Investment, Risk Management & Compliance and Audit Committees of the Company.

Azhar holds a Bachelor Degree in Accounting and Finance from Lancaster University, United Kingdom, and a Master degree in Law (Business Law Executive) from 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 there as Head of Securities Issues Department. His directorships in other companies are as Managing Director of MainStreet Advisers Sdn Bhd and Senior Independent Director of Turbo-Mech Berhad.

Training attended during the financial year

- Financial services profession and customer service: Building and maintaining relationship

- Wealth management: Private banking, investment decisions and structured financial products

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONT'D.)

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

DATO' SRI ROBIN TAN YEONG CHING
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Sri Robin Tan Yeong Ching, aged 43, was appointed to the Board of the Company on 26 June 2006. Presently, Dato' Sri Robin Tan serves as a member of the Nominating and Remuneration Committees of the Company.

Dato' Sri Robin Tan graduated with a Bachelor of Social Science degree in Accounting/Law from the University of Southampton, United Kingdom in 1995. He joined Berjaya Group Berhad in 1995 as an Executive and subsequently became the General Manager, Corporate Affairs in 1997.

Currently, he is the Chairman/Chief Executive Officer ("CEO") of Berjaya Corporation Berhad. He also serves as the CEO of Berjaya Sports Toto Berhad, an Executive Director of Sports Toto Malaysia Sdn Bhd and the Executive Chairman of Berjaya Food Berhad. He is also the Chairman of Berjaya Media Berhad, Sun Media Corporation Sdn Bhd and Informatics Education Ltd, Singapore and a Director of Atlan Holdings Bhd, KDE Recreation Berhad and Berjaya Golf Resort Berhad. He also holds directorships in several other private limited companies in the Berjaya Corporation group of companies.

Training attended during the financial year

- Closed Door Session with Prime Minister, Ministers and Corporate Chiefs.
- The Cybersecurity Threat and How Board should mitigate the Risks.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONT'D.)

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

DATO' LOH LYE NGOK
CHIEF EXECUTIVE OFFICER/ NON-INDEPENDENT EXECUTIVE DIRECTOR

Dato' Loh Lye Ngok, aged 63, was appointed as the Chief Executive Officer/Director of the Company on 25 May 2000. Dato' Loh also serves as a member of the Nominating Committee and Investment Committee of the Company.

Dato' Loh began his journey in the insurance industry in 1976 when he joined East West Insurance Berhad (EWIB). He left EWIB in 1989, after 13 years. Throughout his tenure at EWIB tenure, Dato' Loh acquired invaluable hands-on experience in multiple aspects of the insurance business, gaining exposure of the local as well as international insurance markets. His remarkable track record earned him the privilege of being the first Malaysian staff to be posted to London to manage East West Insurance (UK) Ltd in 1984.

Dato' Loh joined Berjaya Sompo Insurance (BSIB) in 1989 and rose from the Deputy General Manager to his present position as the Chief Executive Officer.

Having positioned and built BSIB as a strong player in the Malaysian Insurance Industry, Dato' Loh initiated and led the strategic joint venture exercise between Sompo Japan Insurance Inc., and Berjaya Capital Berhad, which culminated in the setting up BSIB.

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

Training attended during the financial year

- FIDE Core Programme – Insurance (Module A & B)

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONT'D.)

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

DATUK YONG BUN FOU
INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Yong Bun Fou, aged 62, was appointed to the Board of the Company on 9 June 2016. Presently, Datuk Yong serves as Chairman of the Nominating, Remuneration, Risk Management & Compliance and Audit Committees of the Company.

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

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

AHMAD SUBRI BIN ABDULLAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ahmad Subri bin Abdullah, aged 68, was appointed to the Board of the Company on 25 January 2017.

Ahmad Subri brings with him over 30 years of experience in the financial services industry; 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.

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

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.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONT'D.)

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

AHMAD SUBRI BIN ABDULLAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

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. SBI Offshore Limited
7. Timewaver Sea Sdn Bhd

Training attended during the financial year

- The New Auditors Report - Sharing the UK experience
- Best Practices in Promoting Board Effectiveness & Accountability and Updates on Listing Requirements of Bursa Malaysia
- Malaysia 2016 Market Trends & Updates
- Game Changer Beneath Detarriffication Implementation

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONT'D.)

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

KATSUYUKI TAJIRI
NON-INDEPENDENT EXECUTIVE DIRECTOR

Katsuyuki Tajiri, aged 50, was appointed to the Board of the Company on 16 May 2014. Presently, Tajiri serves as a member of the Nominating, Remuneration and Investment Committees of the Company.

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

Currently, he is the Senior Executive Director, Head of South Asia and Pacific Strategy of Sompo Holdings (Asia) Pte Ltd., Commissioner in Indonesia and Alternative Director in India. Tajiri attended 6 Board Meetings which were held during the financial year ended 31 December 2016.

Training attended during the financial year

- Training for executive management regarding strategy planning and management skills

TAN SEK KEE
CHIEF EXECUTIVE OFFICER

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

A Malaysian aged 52, he graduated from 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 Sompo Insurance Berhad, he was attached to AXA Affin General Insurance Berhad since 1995. During his tenor with AXA Affin he had held various senior management positions, the most recent one being Chief Distribution Officer. Prior to that he was the Chief Operating Officer.

CORPORATE GOVERNANCE

The Board convened seven (7) meetings for the financial year ended 31 December 2016. 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 (%)
Dato' Haji Ahmad bin Sidek (INED/Chairman)	3/3	*	100%
Azhar Bin Mohamad (INED/Chairman)	7/7		100%
Datuk Yong Bun Fou (INED)	4/4	*	100%
Dato' Sri Robin Tan Yeong Ching (NINED)	6/7		86%
Katsuyuki Tajiri (NIED)	7/7		100%
Yuji Kawauchi (NIED)	2/4	*	50%
Dato' Loh Lye Ngok (CEO/NIED)	7/7		100%

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

Board Committee

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

1. AUDIT COMMITTEE

The Audit Committees ("AC") comprises of two (2) INED of whom one is the Chairman and one (1) NIED. A total of 5 meetings were held during the financial year ended 31 December 2016 and the details of attendance of each member of the AC meeting is as follows:-

Name of Directors	Total meetings attended		Percentage of attendance (%)
Dato' Haji Ahmad bin Sidek #1	3/3	*	100%
Azhar Bin Mohamad	5/5		100%
Datuk Yong Bun Fou #2	2/2	*	100%
Katsuyuki Tajiri	4/5		80%

#1 Ceased as chairman/member on 8th June 2016
#2 Appointed as member on 9th June 2016 and appointed as chairman on 8th December 2016
* *Reflects the attendance and the number of meetings held during the period the members held office.*

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;

CORPORATE GOVERNANCE (CONT'D.)

1. AUDIT COMMITTEE (CONT'D.)

- 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 requirement, policies and other problems identified by the internal audit and other control functions;

- Noting significant disagreements between the chief internal auditor and the rest of the senior management team, irrespective of whether these have been resolve, 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 Committees ("RMC") comprises two (2) INEDs of whom one is the Chairman and one (1) NIED. A total of 5 meetings were held during the financial year ended 31 December 2016 and the details of attendance of each member of the RMC meeting is as follows:-

Name of Directors	Total meetings attended		Percentage of attendance (%)
Dato' Haji Ahmad bin Sidek [#1]	3/3	*	100%
Azhar Bin Mohamad	5/5		100%
Datuk Yong Bun Fou (Chairman)[#2]	2/2	*	100%
Katsuyuki Tajiri	3/5		60%

#1 Ceased as chairman/member on 8th June 2016
#2 Appointed as member on 16th August 2016 and appointed as chairman on 8th December 2016
** Reflects the attendance and the number of meetings held during the period the members held office.*

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 Committees ("RC") comprises two (2) INED of whom one is the Chairman, one (1) NIED and one (1) NINED. A total of 2 meetings were held during the financial year ended 31 December 2016 and the details of attendance of each member of the RC meeting is as follows:-

Name of Directors	Total meetings attended	Percentage of attendance (%)
Dato' Haji Ahmad bin Sidek [#1]	1/1 *	100%
Azhar Bin Mohamad [#2]	1/1 *	100%
Datuk Yong Bun Fou (Chairman)[#3]	0/0 *	-
Dato' Sri Robin Tan Yeong Ching	2/2	100%
Katsuyuki Tajiri	2/2	100%

#1 Ceased as Chairman/member on 8th June 2016
#2 Appointed as member on 16th August 2016
#3 Appointed as chairman/member on 8th December 2016
* *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, Chief Executive Officer and key senior officers of the Company;

- Recommend specific remuneration packages of Directors, Chief Executive Officer 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;

3. REMUNERATION COMMITTEE (CONT'D.)

- Support the Board in actively 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. NOMINATING COMMITTEE

The Nominating Committees ("NC") comprises of two (2) INED of whom one is the Chairman, one (1) NINED and two (2) NIED. A total of 6 meetings were held during the financial year ended 31 December 2016 and the details of attendance of each member of the NC meeting is as follows:-

Name of Directors	Total meetings attended		Percentage of attendance (%)
Dato' Haji Ahmad bin Sidek #1	3/3	*	100%
Azhar Bin Mohamad (Chairman)#2	6/6		100%
Datuk Yong Bun Fou (Chairman)#3	2/2	*	100%
Dato' Sri Robin Tan Yeong Ching	5/6		83%
Yuji Kawauchi #4	2/4	*	50%
Katsuyuki Tajiri	4/6		67%
Dato' Loh Lye Ngok	6/6		100%

#1 Ceased as member on 8th June 2016
#2 Ceased as chairman on 8th December 2016
#3 Appointed as member on 9th June 2016 and appointed as chairman on 8th December 2016
#4 Ceased as member on 16th August 2016
* *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 Chief Executive Officer 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;

CORPORATE GOVERNANCE (CONT'D.)

4. NOMINATING 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.

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 platforms to assist the RMC in making informed decisions on operational and financial risks and the Committees provide effective oversight over financial and non-financial risks.

- **Risk Management Department**

  The Risk Management Department is responsible for assisting the Board, RMC, RMWC and management in developing and maintaining the ERM Framework by establishing Risk Management policies, including defining roles and responsibilities; performing independent validation and independent risk assessment as the 2nd line of defence of the company; assisting the Board in fulfilling its corporate governance responsibilities; and in implementing of risk-based capital framework and monitoring of capital adequacy level.

CORPORATE GOVERNANCE (CONT'D.)

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

Internal Audit Function

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

IAD contributes to the achievement of the Company's overall goals and objectives through 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 Bank Negara Malaysia (“BNM”), PIAM and other regulatory bodies; and

c) achieving the desired results efficiently, effectively and economically.

The AC obtains, reviews and reports to the Board of Directors on all audit reports, approves the internal audit plans and transmits to management such instructions as it deems necessary for the implementation of appropriate internal controls.

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 work closely with 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 Element of Risk Management and Internal Control

- **Organisational Structure**

  There is an organisational structure with formally defined line of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

- **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 there are changes.

CORPORATE GOVERNANCE (CONT'D.)

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

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

- **Approving Authority Limits**

  There are operational approving authority limits imposed on CEO and 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.

- **Senior Management Meeting (SMC)**

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

- **Investment Committee (IC)**

  IC is a management committee of the Company and responsible to the Board. The IC established the investment policy of the company and convened regularly to set investment strategy and act in accordance with the investment policy.

- **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.

CORPORATE GOVERNANCE (CONT'D.)

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

Other Key Element 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 Risk Management Working Committee which is represented by the senior management from various business and technical departments. BCMC is responsible to effectively implement the BCM policy and strategies set out by the Board.

REMUNERATION POLICY

Philosophy

The Company in its quest to maximize its Human Capital, will establish a Remuneration Policy befitting its international corporate player reputation that attracts and retains talents and excellent human resources globally, thus fueling its business growth and expansion nationwide to achieve all its short-term and long-term business targets and goals. The Company wish to achieve this through its strong focus on being the best customer service provider to all its customers.

The Remuneration Policy will act as the framework for the Company to establish its own detail remuneration policy taking into account the local cultures, practices, laws and regulations.

Remuneration Policies and Guidelines ("RPG")

<u>Pillars of Remuneration Policies and Guidelines</u>

There are 5 Pillars of Remuneration for the Company. They are:-

1. Equitable Pay for all employees

2. Merit based

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Remuneration Policies and Guidelines ("RPG") (Cont'd.)

3. Staff Motivation for continuous self-improvement

4. Celebration of Outstanding Performance

5. Celebration of Outstanding Innovation

1. EQUITABLE PAY AND REWARD

Equitable Pay and Rewards to employees to reflect the Organization's effective maintenance of external and internal parity.

The Company's remuneration policies should pay and reward its employees at local competitive market level. The Company may choose to pay and reward its employees at above market level as a strategic move but the final level of pay and rewards will depends on the company's affordability.

Internally, employees should be paid equitably and rewarded base on performances. Internal parity is important as it will set the tone for a forward looking and stable company.

2. MERIT BASED

A merit based or Meritocracy System forms a fair and impartial basis of a system to pay and reward employees thus retaining employees' employment and motivating them for future performances.

3. STAFF MOTIVATION FOR CONTINUOUS SELF-IMPROVEMENT

Aptly and fairly rewarded employees can be easily motivated because they are more receptacle to changes. Thus, Company can introduce changes through self-improvement as part of the working culture.

CORPORATE GOVERNANCE (CONT'D.)

4. CELEBRATION OF OUTSTANDING PERFORMANCE

Outstanding Performers are recognized and rewarded aptly, with clear distinction between them and other performers i.e. good, average and low performers.

5. CELEBRATION OF OUTSTANDING INNOVATION

Outstanding Innovators are recognized and celebrated as well. Strong publicity is given prominence through-out the Company for employees who achieved outstanding innovation in their work. Naturally, fair rewards will follow.

Policies and Guidelines

1. The setting up of the remunerations systems should be strategically orientated towards:-

   a. Rewarding deserving employees fairly and aptly

   b. Effectively and successfully retaining talented employees

   c. Motivating employees to continuously self-improve

   d. Providing a mixture of short-term and long-term remuneration. E.g. long-term retentions through implementation of employees benefits (e.g. Car Loans, Housing Loans, Employee Share Options Scheme, etc.), short-terms retentions through a market level remuneration e.g. market level salaries maintained through annual salary adjustment and performance bonus.

2. In order to successfully realize the Company’s Remuneration Philosophy and Policies based on the Pillars of Remuneration, The Company will lay-down its own rules and regulations for the establishment of its own remuneration system within the framework provided and explained here.

3. Naturally, the Remuneration Policies applies to all levels of the local employees. For expatriates, their remuneration package will be determined by the Group Human Resource Holdings, Tokyo.

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

5. CELEBRATION OF OUTSTANDING INNOVATION (CONT'D.)

Policies and Guidelines (Cont'd.)

4. When establishing and implementing the Remuneration Policies, the Company will take into account the local cultures, practices, laws and regulations. It should fully comply and fulfill the requirements of the local laws and regulations, and be sensitive to local cultures and practices in relations to remunerations.

5. The remuneration system will use 2 metrics of measurements. They are:-

   a. Performances based on agreed Set Targets – Key Performance Indicators

   b. Individual Skill Sets - Competencies

   Key Measurements directly affecting Staff Remuneration:-

Key Performance Indicators (KPIs)	Marketing Staff	Non-Marketing Staff
Overall GWP Growth	Yes	Subject to Individual position requirements. In general, assessment can involve:- GWP growth, U/W profit, Credit Control, Expenses, Investment Income, Business Cost, Processes, Projects etc
Non-Motor GWP Growth	Yes	
Profitability	Yes	
Collections	Yes	
Renewal Ratio	Yes	
Agency Recruitment	Yes	

6. When establishing the reward system, it is important to establish a system that is impartial and fair. The reward system providing such rewards should not only be fair but perceive to be fair by the local employees.

   The same type of reward systems should be put in place for cases where Departmental/Division/Branch KPIs are taken as part of performance assessment to determine the reward for employees.

BERJAYA SOMPO INSURANCE BERHAD
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CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

5. CELEBRATION OF OUTSTANDING INNOVATION (CONT'D.)

Policies and Guidelines (Cont'd.)

7. In the event that the Company is unable to reward its employees aptly due to legitimate reason(s) e.g. severe economic downturn, poor profitability etc, the Company may endeavor to pay remuneration at a minimal level that is deem reasonable within the local context.

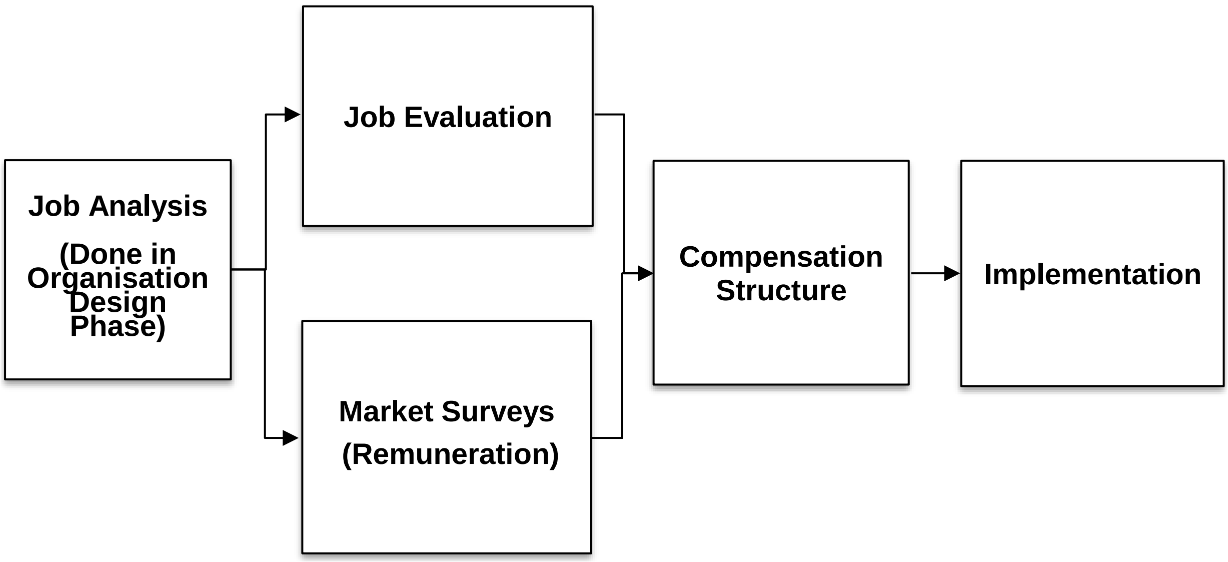
Level	Global Competencies	Core Competencies	Elective Competencies
Manager	1. Customer Focus 2. Changes with 3. Innovations 4. Speedy, Simply and Cleary 5. Self-Driven 6. Integrity and Professional Ethics 7. Drives Mission and Strategy 8. Creates High-Performing Culture Develops Our Talent	1. Achievement Orientation 2. Risk Management 3. Negotiation Skills 4. Team Leadership 5. Relationship Building 6. Problem Solving 7. Teamwork and Cooperation 8. Interpersonal Skills 9. Impact and Influence 10. Analytical Thinking 11. Oral and Written Comms.	N/A
Executive	1. Customer Focus 2. Changes with Innovations 3. Speedy, Simply and Cleary 4. Self-Driven 5. Integrity and Professional Ethics	1. Achievement Orientation 2. Analytical Thinking 3. Information Seeking 4. Technical Expertise 5. Organizational Commitment 6. Teamwork and Cooperation	1. Relationship Building 2. Developing Others
Non Executive	1. Customer Focus 2. Changes with Innovations 3. Speedy, Simply and Cleary 4. Self-Driven 5. Integrity and Professional Ethics	1. Job Knowledge 2. Concern for Order, Quality and Accuracy 3. Oral and Written Comms. 4. Teamwork and Cooperation 5. Detail Consciousness 6. Relationship Building	1. Achievement Orientation 2. Problem Solving 3. Compliance 4. Technical Expertise

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Remuneration System Design

In designing the remuneration system, the Company takes into account the local business conditions and uses the followings process as a guide:-



Topics	Actions and Process
Job Evaluation	Job Evaluation is a systematic and orderly process that determines the value/worth of a job in relation to other jobs. Job Evaluation determines the hierarchy of jobs in the organisation, that is, to provide the basis for developing the Job Grading Structure.
Classification of Jobs	Consider Job Evaluation Methodologies:- 1. Whole Job Ranking — Simple Ranking | Forced-Pair Ranking 2. Classification Method — Grouping into Job Families 3. Point Rating System — Measures jobs in terms of the degree to which prevalent and defined factors are present in each job 4. Competency-Based — Grouping of jobs according to competencies required

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

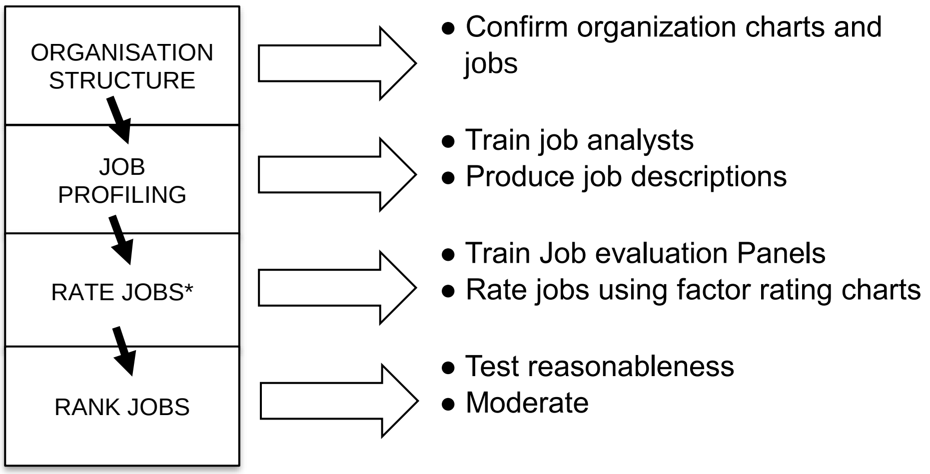
CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Remuneration System Design (cont'd.)

<table>
<tr><th>Topics</th><th>Actions and Process</th></tr>
<tr><td>Classification of Jobs (cont'd.)</td><td>

The Company considers **Point Rating System** and uses the process as set out below for job evaluation.



* **Rating of Jobs** depends on the methodologies chosen. Here we have chosen Point Rating System from Hay and PWC.

1 - Hay Methodology, three factors will be use for rating the jobs:-

i) Accountability
ii) Problem Solving
iii) Know-how

2 – PWC Methodology, ten factors will be used for rating the jobs:-

<table>
<tr><th>Executive Jobs</th><th>Non-Executive Jobs</th></tr>
<tr><td>1. Education
2. Experience
3. Complexity
4. Scope of work
5. Problem solving
6. Supervision Received
7. Results of Decisions
8. Contacts
9. Authority Exercised
10. Supervisory and Managerial Responsibility</td><td>1. Education
2. Experience
3. Complexity
4. Scope of work
5. Problem solving
6. Supervision Received
7. Work Environment
8. Contacts
9. Physical Demands
10. Supervisory and Managerial Responsibility</td></tr>
</table>

</td></tr>
</table>

CORPORATE GOVERNANCE (CONT'D.)

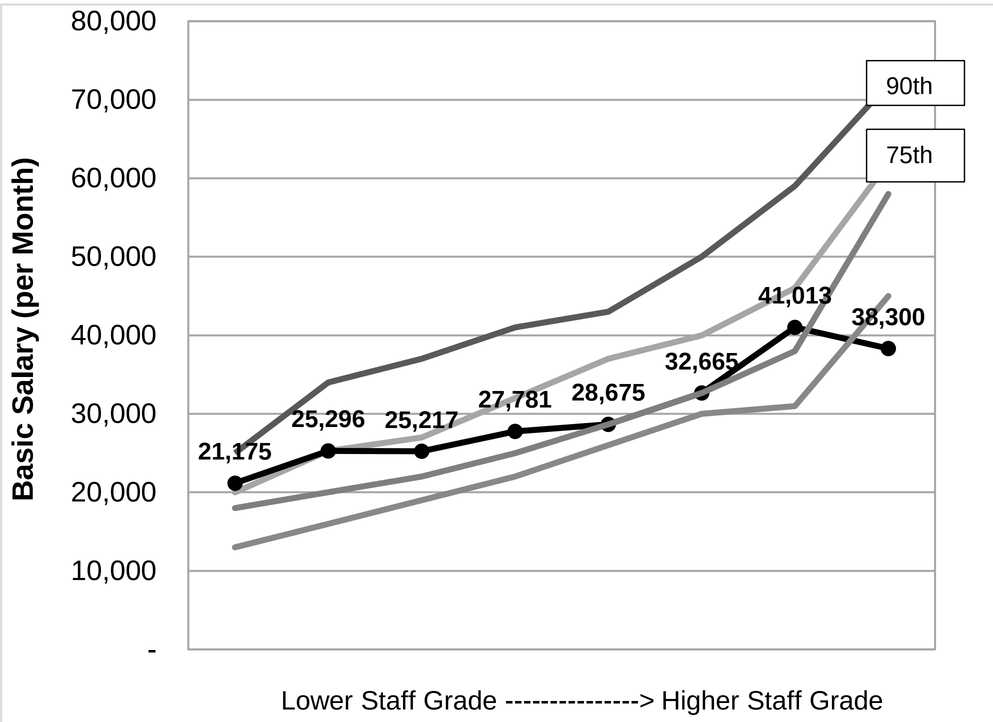
REMUNERATION POLICY (CONT'D.)

Remuneration System Design (cont'd.)

<table>
<tr><th>Topics</th><th>Actions and Process</th></tr>
<tr><td>Market Benchmarking</td><td>Using Market Remuneration Surveys conducted by professional consultants in the local countries e.g. Hay Consultant, Towers Watson, Mercer etc, perform Job Matching/Job Mapping. Draw the current payline of all local staff versus the market paylines for comparison. Based on specific criteria i.e. :-

1. Position of company in ranking
2. Sales of company
3. Profitability of company
4. Economic health of the country
5. Cost of remuneration etc,

the Company may wish to strategically move its payline.

Sample Chart: Comparison of the Company’s payline vs market paylines 90th, 75th, 50th and 25th percentile lines.


Note: In the sample above, the pay deteriorates when the level of employees goes higher comparing to the peers.</td></tr>
</table>

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Remuneration System Design (cont'd.)

<table>
<tr><th>Topics</th><th>Actions and Process</th></tr>
<tr><td>Composition of Remuneration</td><td>

The Remuneration should be divided into 3 categories, i.e.

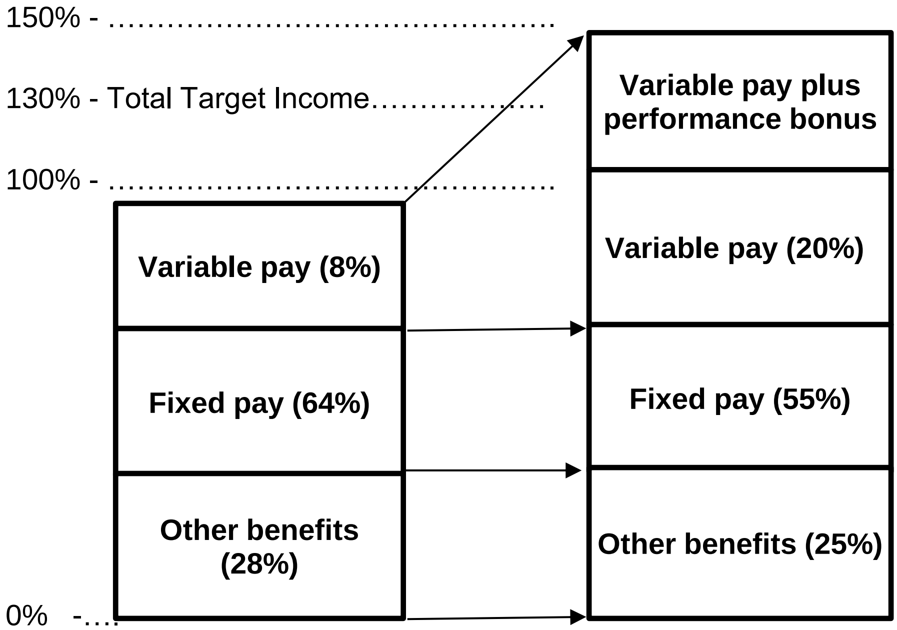
(i) Variable pay – e.g. performance bonus, overtime etc
(ii) Fixed pay – e.g. monthly salary pay
(iii) Other benefits – e.g. Employee Share Options Scheme, housing and car loans etc

Each category occupied a certain % percentage in the Total Remunerations % component

The % of each category is decided based on criterias such as :-

(i) Local practices
(ii) Conditions of the Company e.g. profitable, solvency etc
(iii) Strategic Orientation of the Company in the market e.g. to pay and reward above market level by X%, thus making the Company known as market leader.

Example:-



</td></tr>
</table>

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Remuneration System Design (cont'd.)

Topics	Actions and Process
Determining Remuneration Amount	The setting up of a **Remuneration Committee** is essential to determine the remuneration amount. The committee consists of a Chairperson and Committee Members from the Board. Their duties are to deliberate on the methodology of how the remuneration will eventually be disseminated as well as the proposed remuneration amount to the Board.
Final Decision	The **Board** which represents the shareholders will deliberate on the proposal submitted by the Remuneration Committee. The final decision on the remuneration amount made by the Board will be shared with the Group Human Resource Holding, Tokyo.

1. Performance Bonus

<u>Policy Statement</u>

The payment of bonus, if declared by the Company shall be based on the Company’s and individual employee’s performance ie. 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.

<u>Guidelines</u>

Payment of bonus, if declared by the Company, shall be at the sole discretion of the Company. Upon confirmation of bonus being declared, the Company shall determine the eligibility, criteria and guidelines for such payment.

Bonus is paid based on the last drawn salary of the individual staff. Computation of Bonus excludes any Leave without Pay taken by an employee per calendar year.

Payment of bonus shall be withheld for an employee who is under disciplinary cases either pending Domestic Inquiry/under suspension and/or awaiting outcome of the Domestic Inquiry. The payment shall only be released if an employee is cleared of any disciplinary issues. An employee who retires from his employment with the Company during the financial year, shall receive their pro-rated bonus for the completed period of service.

Fairness, transparency and an impartial remuneration system are paramount in the Company's implementation of its remuneration system.

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Composition of Remuneration (cont'd.)

1. Performance Bonus (cont'd.)

Methodology of Performance Bonus Reward

The Company will budget the amount for Bonus payment at the beginning of the financial year. The Company will then decide the average bonus to be paid out, at the end of the financial year. Both decisions will be based on the Company's financial year profitability and financial capabilities as well as the following criteria:

(i) Benchmark from established and reputable market remuneration surveys e.g. Hay Remuneration Survey for Insurance Industry and Towers Watson Salary Remuneration Survey.

(ii) Official inflation rate from the Government as well as reputable private institutions e.g. Asian Investment Bank.

(iii) Self - industry survey of market movement and country’s economic outlook.

Upon establishing the average bonus months, the Company will use this in the Matrix Framework linking to final performance rating of the individual staff with the % of salary increment to be adjusted. The final performance rating is a combination of the individual staff’s Key Performance Indicators appraisal together with the staff’s appraised Competencies.
The final ratings are:-

Ratings	Meanings	Abbreviation
5	Far Exceed Standards	FES
4	Exceed Standards	ES
3	Fully Meet Standards	FMS
2	Below Standards	BS
1	Far Below Standards	FBS

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Composition of Remuneration (cont'd.)

2. Salary

Policy Statement

All employees shall be paid a monthly salary in accordance with the salary offered to them.

Guidelines

Calculation of Salary

Where a month is broken by reason of either a salary adjustment or commencing date that is effective from a day other than the first day of the month, the proportionate amount due in respect of each portion of the month shall be calculated on the following basis:

$$\frac{\text{Basic Monthly Salary} \quad \times \quad \text{Number of Days Worked}}{\text{Number of Days in a Month}}$$

Annual Salary Increment

Increment is not automatic and will be based on performance to be determined by the Company at its absolute discretion. Only confirmed permanent employees are eligible for annual increment. All resigning employees who have tendered their resignation before payment is made will not be eligible for increment. Disciplinary cases where employees have been issued “Warning” letters will not be eligible for increment and bonus. Employees who are on temporary or part-time contracts are not eligible for increment unless specified in their contract of service. There will be no increment for an employee who has been downgraded in the last six months.

An employee on long leave without pay shall not receive any increment for each calendar year he is away. In the event, he is in the office for six (6) months or more of the calendar year prior to or after his return from his leave without pay, the Company at its sole discretion may consider granting an increment based on his performance.

Withholding of Salary

In the case of cessation of employment, the Company where deemed necessary shall withhold an employee’s salary to recover all monies owing to the Company. Where an employee is undergoing investigation/disciplinary proceedings, his salary increment if any shall be withheld pending the outcome of the case.

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Composition of Remuneration (cont'd.)

2. Salary (cont'd)

Methodology of Salary Increment

The Company will decide the average salary increment percentage to be paid out every year based on the same criteria set out under Bonus Methodology.

Upon establishing the average salary increment e.g. X%, the Company will input this within a Matrix Framework linking the trial performance rating of the individual staff with the % of salary increment to be adjusted. The trial performance rating is a combination of appraisal on the individual staff's Key Performance Indicators and the staff's appraised Competencies. The ratings used are the same as the Bonus' ratings.

Material Risk Takers

Like any other insurance entity, the material risk takers are in general limited to the top management and they are classified as Key Responsible people. Only in some key positions, where the positional powers entails the individual staff to exercise certain unique authorities in decision makings that carries a high risk impact on the companies will the Company recognize them as Key Responsible Person.

They are total of 28 pax as below:-

(i) Chief Executive Officer – 1 pax

(ii) Deputy Chief Executive Officer – 1 pax

(iii) Technical Advisor – 1 pax

(iv) Heads of Departments – 19 pax

(v) Head of Legal – 1 pax

(vi) Regional Heads – 4 pax

(vii) Appointed Actuary – 1 pax

Like all staff, all Key Responsible Personnel or Material Risks Takers are appraised on their yearly performance. All rewards, will commensurate with the company's positioning of its payline versus the market. During the Year End Review, the Company will take into consideration Material Risks Takers being higher risk takers, when making rewards.

CORPORATE GOVERNANCE (CONT'D.)

REMUNERATION POLICY (CONT'D.)

Composition of Remuneration (cont'd.)

2. Salary (cont'd)

Table A

Total value of remuneration awards for the financial year	Unrestricted	Deferred
Fixed Remuneration		
• Cash-Based	RM6,747,220	NIL
• Shares and share-linked instruments	NIL	NIL
• Other	NIL	NIL
Variable Remuneration		
• Cash-Based	RM696,825	NIL
• Shares and share-linked instruments	NIL	NIL
• Other	NIL	NIL

Total value of remuneration awards for the financial year	Exposure to Ex-Post Explicit Adjustments	
	Outstanding	Retained
Fixed Remuneration		
• Cash-Based	NIL	NIL
• Shares and share-linked instruments	NIL	NIL
• Other	NIL	NIL
Variable Remuneration		
• Cash-Based	NIL	NIL
• Shares and share-linked instruments	NIL	NIL
• Other	NIL	NIL

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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.

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.

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

CORPORATE GOVERNANCE (CONT'D.)

OTHER STATUTORY INFORMATION (CONT'D.)

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.

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 Framework") for Insurers issued by Bank Negara Malaysia ("BNM").

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

SUBSEQUENT EVENTS

Details of subsequent events after the financial year-end are disclosed in Note 32 to the financial statements.

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 27th March 2017.

Azhar Bin Mohamad

Dato' Loh Lye Ngok

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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 Dato' Loh Lye Ngok, being two of the directors of Berjaya Sompo Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 38 to 117 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2016.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27th March 2017.

Azhar Bin Mohamad

Dato' Loh Lye Ngok

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

I, Gan Mei Mei, being the officer primarily responsible for the financial management of Berjaya Sompo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 38 to 117 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 Gan Mei Mei,
at Kuala Lumpur in Wilayah Persekutuan
on 27th March 2017

Gan Mei Mei

Before me,

PESURUHJAYA SUMPAH
No: W 639
Nama: PHANG SWEET LEE
MALAYSIA

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

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+603 2095 9078
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Independent auditors' report to the members of Berjaya Sompo Insurance Berhad (Incorporated in Malaysia)

Report on the Financial Statements

Opinion

We have audited the financial statements of Berjaya Sompo Insurance Berhad, which comprise statement of financial position as at 31 December 2016, 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 2016, and notes to the financial statements including a summary of significant accounting policies, as set out on pages 38 to 117.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and 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, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance Statement, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the 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 Sompo 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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Other Matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
27 March 2017

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Property and equipment	3	105,696	98,569
Intangible assets	4	15,937	1,792
Investment properties	5	18,030	19,280
Investments	6	1,171,987	1,055,729
Reinsurance assets	7	246,787	444,461
Insurance receivables	8	71,971	72,357
Other receivables	9	77,846	76,444
Tax recoverable		1,119	4,688
Cash and cash equivalents	11	121,383	195,972
TOTAL ASSETS		1,830,756	1,969,292
EQUITY			
Share capital	12	118,000	118,000
Available-for-sale fair value reserve		23,056	18,238
Retained profits		604,526	549,496
TOTAL EQUITY		745,582	685,734
LIABILITIES			
Insurance contract liabilities	13	982,735	1,139,384
Deferred tax liabilities	10	5,655	2,981
Insurance payables	14	57,918	112,597
Other payables	15	38,866	28,596
TOTAL LIABILITES		1,085,174	1,283,558
TOTAL EQUITY AND LIABILITIES		1,830,756	1,969,292

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

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Gross earned premiums	16(a)	710,550	676,708
Earned premiums ceded to reinsurers	16(b)	(146,501)	(161,888)
Net earned premiums		564,049	514,820
Investment income	17	51,878	44,629
Realised (losses)/gains	18	567	42,271
Fair value losses	19	(4,799)	(4,870)
Commission income		31,629	38,431
Other operating income	20	1,839	2,445
Other revenue		81,114	122,906
Gross claims paid	21(a)	(555,713)	(343,873)
Claims ceded to reinsurers	21(b)	200,659	48,228
Gross change in contract liabilities	21(c)	176,327	(241,610)
Change in contract liabilities ceded to reinsurers	21(d)	(180,802)	199,912
Net claims incurred	21	(359,529)	(337,343)
Commission expense		(90,234)	(86,560)
Management expense	22	(119,743)	(110,564)
Other expenses		(209,977)	(197,124)
Profit before tax		75,657	103,259
Tax expense	23	(20,627)	(19,427)
Net profit for the year		55,030	83,832
Earnings per share (sen)			
- Basic and Diluted	24	46.6	71.0

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 2016

	Note	2016 RM'000	2015 RM'000
Net profit for the year		55,030	83,832
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		5,966	3,108
Realised gains transferred to income statement upon disposal		(197)	(21,920)
		5,769	(18,812)
Tax effects	10	(951)	4,515
		4,818	(14,297)
Total comprehensive income for the year		59,848	69,535

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

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BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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

	Non-distributable		Distributable	
	Share capital RM'000	Available-for-sale fair value reserve RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2015	**118,000**	**32,535**	**465,664**	**616,199**
Net profit for the year	-	-	83,832	83,832
Other comprehensive loss for the year	-	(14,297)	-	(14,297)
Total comprehensive income for the year	-	(14,297)	83,832	69,535
At 31 December 2015	**118,000**	**18,238**	**549,496**	**685,734**
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**

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

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
<u>Operating activities</u>		
Cash flows generated from Operating activities :		
Profit before tax	75,657	103,259
Investment income	(52,124)	(44,629)
Realised gains recorded in income statement	(490)	(34,577)
Fair value recorded in income statement	312	(770)
Gain on disposal of property and equipment	(77)	(7,689)
Property and equipment written off	1,211	-
Amortisation of premium	229	340
Impairment allowance	5,260	5,869
Bad debts written off	187	996
Depreciation on property and equipment	4,447	3,452
Amortisation on intangible assets	898	348
Operating cash flows before working capital changes	35,510	26,599
Increase in insurance receivables	(573)	(19,433)
Decrease/(increase) in other receivables	103	(8,640)
Decrease/(increase) in reinsurance assets	197,674	(196,599)
Increase in loans and receivables ("LAR")	(1,468)	(14,159)
(Decrease)/increase in insurance contract liabilities	(156,649)	263,255
(Decrease)/increase in insurance payables	(54,679)	58,700
Increase/(decrease) in other payables	10,271	(10,790)
	(5,321)	72,334
Dividend income received	29,075	21,748
Interest income received	19,998	19,189
Rental income received	1,323	1,132
Income tax paid	(15,114)	(17,921)
Net cash flows generated from operating activities	65,471	123,081

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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

	Note	2016 RM'000	2015 RM'000
Investing activities			
Cash flows generated from investing activities			
Purchase of property and equipment		(13,107)	(12,218)
Purchase of intangible assets		(14,791)	(284)
Proceeds from sale of property and equipment		148	8,890
Purchase of financial assets		(407,095)	(521,746)
Proceeds from sale of financial assets		294,785	365,240
Net cash flows used in investing activities		(140,060)	(160,118)
Net decrease in cash and cash equivalents		(74,589)	(37,037)
Cash and cash equivalents at beginning of year	11	195,972	233,009
Cash and cash equivalents at end of year	11	121,383	195,972

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

The immediate holding company is Sompo Holdings (Asia) Pte Ltd, which is incorporated in Singapore. The ultimate holding company is Sompo 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 27 March 2017.

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 and the requirements of the Companies Act, 1965 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.

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 2016, the Company adopted the following new and amended MFRSs and improvements to standards mandatory for annual financial periods beginning on or after 1 January 2016.

Description	**Effective for annual periods on or after**
• *Annual Improvements to MFRs 2012-2014 Cycle*	1 January
• Amendments to MFRS 116 and MFRS 138, *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January
• Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*	1 January
• Amendments to MFRS 127, *Equity Method in Separate Financial Statements*	1 January
• Amendments to MFRS 101, *Disclosure Initiatives*	1 January
• Amendments to MFRS 10, MFRS 12 and MFRS 128, *Investment Entities : Applying the Consolidation Exception*	1 January
• MFRS 14, *Regulatory Deferral Accounts*	1 January

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

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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and equipment (Cont'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%

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 which are estimated to be 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Intangible assets (Cont'd.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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.

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.)

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.

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 decribed in Note 6(a).

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.)

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 decribed in Note 6(b).

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.

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.)

Available-for-sale ("AFS") financial assets (Cont'd.)

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 decribed 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

AFS financial assets (Cont'd.)

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.

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 entirely, 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 subtantially 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Reinsurance (Cont'd.)

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 recognisation 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Product Classification (Cont'd.)

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.

(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 incepted 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.

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.)

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.

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 occuring 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Leases (Cont'd.)

(i) Operating Lease (Cont'd.)

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.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference betwwen 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Other revenue recognition (Cont'd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Income tax (Cont'd.)

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.

(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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

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 appeciation 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 Company internal investment policy amounting to RM3,237,224 (2015: RM5,267,193).

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 2016, deferred tax assets recognised by the Company amounted to RM9,303,187 (2015: RM8,273,424) as disclosed in Note 10.

(v) 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 2016 amounted to RM14,962,860 (2015:RM14,190,440) 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.

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 acturay 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.

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 acturay 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 recoginsed at 31 December 2016 amounted to RM2,041,449 (2015: RM4,977,516).

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 following are the new Standards, Amendments to Standards and Intepretation issued by the Malaysian Accounting Standard Board (“MASB”), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these pronouncements if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendment to MFRS 12 *Disclosure of Interests in Other Entities* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017
MFRS 107, *Statement of Cash Flows - Disclosures Initiatives* (Amendments to MFRS 107)	1 January 2017
MFRS 112, *Income Taxes - Recognition of Deferred Tax for Unrealised Lossess* (Amendments to MFRS 112)	1 January 2017
Amendment to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
MFRS 2, Share-based Payment - Classification and Measurement of *Share-based Payment Transactions* (Amendments to MFRS 2)	1 January 2018
MFRS 9, *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)	1 January 2018
Amendment to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Transfer to Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16, *Leases*	1 January 2019
MFRS 10 Consolidated Financial Statements (Amendment to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): Sale or Contribution of Assets between an investor and its Associate or Joint Venture (Amendments to MFRS 128)	To be announced by MASB

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The Company does not expect that the adoption of the above pronouncements will have a significant financial impact on future financial statements other than below:

MFRS 107, *Statement of Cash Flow - Disclosures Initiatives (Amendments to MFRS 107)*

The amendments require 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 (for example foreign exchange movements and fair value changes).

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Application of the amendment will result in additional disclosures to be provided by the Company.

MFRS 112, *Income Taxes - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)*

The amendments clarify that deductible tax difference will arise from unrealised losses of debt instruments classified at fair value regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument.

In circumstances where tax law restricts the utilisation of tax losses such that an entity can only deduct the tax losses against income of a specified type, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments also clarify that when estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. All relevant facts and circumstances should be assessed when making this assessment.

In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with the future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 112, *Income Taxes - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112) (Cont'd.)*

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments should be applied retrospectively. However, on initial application of the amendment, adjustment to the opening equity of the earliest comparative period may be recognised in opening retained earnings, without allocating the change between retained earnings and other components of equity. If this relief is applied, the entity must disclose this fact. The Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

MFRS 9, *Financial Instruments*

The MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard 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. Retrospective application is required, but restatement of comparative information is not compulsory.

The Company plans to adopt the new standard on the required effective date. During 2016, the Company has performed a high level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company does not anticipate significant impact to the financial statements except for the effect of potentially higher impairment losses under the expected credit loss model.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9, *Financial Instruments (Cont"d.)*

The areas with expected impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity (“HTM”) and available-for-sale (“AFS”) asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income (“FVOCI”) is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- A new asset category measured at fair value through other comprehensive income (“FVOCI”) is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

The Company does not expect a significant impact to the financial statements on applying the classification and measurement requirements.

Loans and receivables are held to collect contractual cash flows and are representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under MFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9, *Financial Instruments (Cont"d.)*

(ii) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The Company expects to recognise either a 12-month (Stage 1) or lifetime ECL (Stage 2 and 3), depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases. Appropriate impairment methodology will be adopted for calculating allowances for impairment losses.

(iii) Hedge accounting

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

The Company does not expect a significant impact to the financial statements on applying the hedge accounting.

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 new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company expects to apply MFRS 15 fully retrospective. Given that takaful contracts are scoped out of MFRS 15, the Company expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Company does not expect the impact to be significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 16, *Leases*

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

(i) Lessee

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

(ii) Lessor

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company plans to assess the potential effect of MFRS 16 on its financial statement in the near future.

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

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

2.5 COMPANIES ACT, 2016

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

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

- the removal of the authorised share capital; and
- the ordinary shares of the Company will cease to have par or norminal value.

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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 2015	31,687	74,277	22,279	2,653	130,896
Additions	-	8,732	3,188	298	12,218
Reclassification	82,530	(82,530)	-	-	-
Disposals	(21,332)	-	(215)	(518)	(22,065)
At 31 December 2015	92,885	479	25,252	2,433	121,049
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
Accumulated depreciation					
At 1 January 2015	9,240	-	16,756	1,624	27,620
Charge for the year	1,347	-	1,595	510	3,452
Disposals	(7,956)	-	(188)	(448)	(8,592)
At 31 December 2015	2,631	-	18,163	1,686	22,480
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
Net carrying amount					
At 31 December 2015	90,254	479	7,089	747	98,569
At 31 December 2016	88,396	-	15,897	1,403	105,696

3. PROPERTY AND EQUIPMENT (CONT'D.)

*** Land and buildings**

	Freehold properties RM'000	Long-term leasehold properties RM'000	Total RM'000
Company			
Cost			
At 1 January 2015	25,067	6,620	31,687
Reclassification	82,530	-	82,530
Disposal	(21,332)	-	(21,332)
At 31 December 2015	86,265	6,620	92,885
At 1 January 2016 / At 31 December 2016	86,265	6,620	92,885
Accumulated depreciation			
At 1 January 2015	8,281	959	9,240
Charge for the year	1,215	132	1,347
Disposal	(7,956)	-	(7,956)
At 31 December 2015	1,540	1,091	2,631
At 1 January 2016	1,540	1,091	2,631
Charge for the year	1,725	133	1,858
At 31 December 2016	3,265	1,224	4,489
Net carrying amount			
At 31 December 2015	84,725	5,529	90,254
At 31 December 2016	83,000	5,396	88,396

4. INTANGIBLE ASSETS

	Club membership RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2015	715	4,813	5,528
Additions	-	284	284
Disposals	-	(5)	(5)
At 31 December 2015	715	5,092	5,807
At 1 January 2016	715	5,092	5,807
Additions	-	14,791	14,791
Reclassification from properly and equipment (Note 3)	-	414	414
Write-offs	-	(267)	(267)
At 31 December 2016	715	20,030	20,745
Accumulated amortisation			
At 1 January 2015	-	3,672	3,672
Charge for the year	-	348	348
Disposals	-	(5)	(5)
At 31 December 2015	-	4,015	4,015
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
Net carrying amount			
At 31 December 2015	715	1,077	1,792
At 31 December 2016	715	15,222	15,937

5. INVESTMENT PROPERTIES

	2016 RM'000	2015 RM'000
At 1 January	19,280	23,153
Disposals	-	(3,500)
Fair value adjustment (Note 19)	(1,250)	(373)
At 31 December	18,030	19,280

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 comparison method. The Company revalued its investment properties based on independent valuation performed by Hartanah Consultants (Valuation) Sdn Bhd, an independent accredited valuer.

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

6. INVESTMENTS

	2016 RM'000	2015 RM'000
Malaysian Government Securities	5,417	5,927
Government Investment Issues	-	8,997
Corporate Bonds	281,928	291,381
Warrants	299	624
Equity securities	114,896	101,199
Unit trust funds/wholesale funds	753,820	633,442
Deposits with financial institutions	15,627	14,159
	1,171,987	1,055,729

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

	2016 RM'000	2015 RM'000
Financial asset at fair value through profit or loss ("FVTPL")	299	624
Held-to-maturity financial assets ("HTM")	25,031	35,057
Loans and receivables ("LAR")	15,627	14,159
Available-for-sale financial assets ("AFS")	1,131,030	1,005,889
	1,171,987	1,055,729

6. INVESTMENTS (CONT'D.)

(a) Financial asset at FVTPL

	2016 RM'000	2015 RM'000
Fair Value		
Held for trading ("HFT") : Warrants	299	624
	299	624

(b) HTM financial assets

	2016 RM'000	2015 RM'000
Amortised Cost		
Government Investment Issues	-	5,005
Corporate Bonds	25,031	30,052
	25,031	35,057
Fair Value		
Government Investment Issues	-	5,046
Corporate Bonds	24,704	29,593
	24,704	34,639

(c) LAR

	2016 RM'000	2015 RM'000
Amortised Cost		
Deposits with licensed financial institutions:		
- Commercial banks	15,627	14,159

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

6. INVESTMENTS (CONT'D.)

(d) AFS financial assets

	2016 RM'000	2015 RM'000
Fair Value		
Equity securities:		
- Quoted in Malaysia	114,190	98,564
- Quoted outside Malaysia	588	2,517
Unit trust funds	753,820	633,442
Malaysian Government Securities	5,417	5,927
Government Investment Issues	-	3,992
Corporate Bonds	256,897	261,329
	1,130,912	1,005,771
Cost		
Equity securities:		
- Unquoted in Malaysia	118	118
	1,131,030	1,005,889

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

		2016 RM'000	2015 RM'000
Reinsurance of insurance contracts			
Claims liabilities	(Note 13)	208,667	389,469
Premium liabilities	(Note 13)	38,120	54,992
		246,787	444,461

The reinsurance assets is stated net of accumulated individual impairment losses of RM1.1 million (2015 : RM1.0 million).

8. INSURANCE RECEIVABLES

	2016 RM'000	2015 RM'000
Due premiums including agents, brokers and co-insurers balances	74,090	75,442
Due from reinsurers and cedants	8,146	6,551
Due from related parties (Note 25)	4,698	4,554
	86,934	86,547
Allowance for impairment losses	(14,963)	(14,190)
	71,971	72,357

Amounts due from reinsurers and cedants that have been offset against amount due to 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 2016			
Premiums	234,807	(233,486)	1,321
Claims	7,518	(693)	6,825
	242,325	(234,179)	8,146
31 December 2015			
Premiums	228,661	(223,874)	4,787
Claims	3,180	(1,416)	1,764
	231,841	(225,290)	6,551

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 2015	1,618	6,703	8,321
Write back of allowance for impairment loss	(270)	6,139	5,869
Reversal of allowance for impairment losses	(30)	(967)	(997)
Bad debts written-off net of recovery	30	967	997
At 31 December 2015	1,348	12,842	14,190
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	1,521	13,442	14,963

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

	2016 RM'000	2015 RM'000
Other receivables and deposits	7,119	4,124
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (net)*	55,725	68,182
Staff loans **	27	2
Interest income due and accrued	14,237	4,136
Due from related parties (Note 25)	738	-
	77,846	76,444
Staff loans**:		
- Unsecured	27	2

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 of RM25,359,477 (2015: RM34,359,346).

** The unsecured staff loans are interest-free.

10. DEFERRED TAX LIABILITIES

	2016 RM'000	2015 RM'000
At beginning of year	(2,981)	(5,868)
Recognised in AFS fair value reserve	(951)	4,515
Recognised in the income statement (Note 23)	(1,723)	(1,628)
At end of year	(5,655)	(2,981)
Presented after appropriate offsetting as follows:		
Deferred tax assets	9,303	8,273
Deferred tax liabilities	(14,958)	(11,254)
	(5,655)	(2,981)

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 2015	84	2,069	7,331	9,484
Recognised in the income statement	92	1,882	(3,185)	(1,211)
At 31 December 2015	176	3,951	4,146	8,273
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	(215)	6,089	3,429	9,303

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 2015	(3,422)	(10,846)	(1,084)	(15,352)
Recognised in AFS reserve	-	4,515	-	4,515
Recognised in the income statement	3,170	-	(3,587)	(417)
At 31 December 2015	(252)	(6,331)	(4,671)	(11,254)
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)

11. CASH AND CASH EQUIVALENTS

	2016 RM'000	2015 RM'000
Fixed and call deposits with licensed financial institutions (with original maturity of less than three months)	95,062	176,844
Cash and bank balances	26,321	19,128
	121,383	195,972
Fixed and call deposits were placed with:		
- Investment banks	14,083	57,667
- Commercial banks	80,979	119,177
	95,062	176,844

12. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016	2015
Company	'000	'000	RM'000	RM'000
Authorised:				
At beginning/end of year	200,000	200,000	200,000	200,000
Issued and fully paid:				
At beginning/end of year	118,000	118,000	118,000	118,000

13. INSURANCE CONTRACT LIABILITIES

	Note	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
Provision for claims reported by policyholders		417,905	(130,663)	287,242	557,847	(293,455)	264,392
Provision for IBNR		233,611	(78,004)	155,607	269,996	(96,014)	173,982
Claim liabilities	(a)	651,516	(208,667)	442,849	827,843	(389,469)	438,374
Premium liabilities	(b)	331,219	(38,120)	293,099	311,541	(54,992)	256,549
Insurance contract liabilities		982,735	(246,787)	735,948	1,139,384	(444,461)	694,923

(a) Claim liabilities

	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
At 1 January	827,843	(389,469)	438,374	586,233	(189,557)	396,676
Claims incurred for the current accident year	379,386	(19,857)	359,529	585,483	(248,140)	337,343
Adjustment to claims incurred in prior accident years (direct & facultative)	414,774	(41,535)	373,239	551,030	(222,694)	328,336
Movement in MMIP	(16,827)	-	(16,827)	4,847	-	4,847
Claims incurred during the year		-				
(treaty inwards claims)	682	-	682	(208)	-	(208)
Movement in Fund PRAD of claims liabilities at 75% confidence level	(19,625)	21,678	2,053	29,272	(25,446)	3,826
Movement in claims handling expenses	382	-	382	542	-	542
Claims paid during the year	(555,713)	200,659	(355,054)	(343,873)	48,228	(295,645)
At 31 December	651,516	(208,667)	442,849	827,843	(389,469)	438,374

13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Note	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
(b) Premium liabilities							
At 1 January		311,541	(54,992)	256,549	289,897	(58,305)	231,592
Premiums written during the year		730,228	(129,629)	600,599	698,352	(158,575)	539,777
Premiums earned during the year		(710,550)	146,501	(564,049)	(676,708)	161,888	(514,820)
At 31 December		331,219	(38,120)	293,099	311,541	(54,992)	256,549

As at 31 December 2016, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM50,493,758 (2015: RM67,320,994) and RM4,953,797 (2015: RM8,225,640) respectively.

14. INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Amount due to agents, brokers, insureds and co-insurers	30,351	43,551
Amount due to reinsurers and ceding companies	24,917	65,921
Amount due to related parties (Note 25)	2,650	3,125
	57,918	112,597

The Company's amounts 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 2016			
Premiums	286,568	(261,350)	25,218
Claims	392	(693)	(301)
	286,960	(262,043)	24,917
31 December 2015			
Premiums	306,472	(246,699)	59,773
Claims	7,253	(1,105)	6,148
	313,725	(247,804)	65,921

15. OTHER PAYABLES

	2016 RM'000	2015 RM'000
Accrued liabilities	30,682	16,654
Other payables	880	3,270
Cash collateral held on behalf of insureds	6,545	8,526
GST payable	-	146
Amount due to related parties (Note 25)	759	-
	38,866	28,596

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

16. NET EARNED PREMIUMS

	2016 RM'000	2015 RM'000
(a) Gross earned premiums		
General insurance contracts	730,228	698,352
Change in premium liabilities	(19,678)	(21,644)
	710,550	676,708
(b) Premiums ceded to reinsurers		
General reinsurance contracts	(129,629)	(158,575)
Change in premium liabilities	(16,872)	(3,313)
	(146,501)	(161,888)
Net Earned Premiums	564,049	514,820

17. INVESTMENT INCOME

	2016 RM'000	2015 RM'000
Rental income from investment properties	927	1,075
Interest income from HTM financial assets	768	2,007
Interest income from AFS financial assets	13,754	11,097
HTM financial assets amortisation of premiums, net of accretion of discounts	(229)	(340)
Dividend/distribution income from AFS financial assets	28,120	21,196
LAR fixed and call deposits interest income	5,260	6,963
Other investment income, net of investment expenses	3,278	2,631
	51,878	44,629

18. REALISED GAINS OR LOSSES

	2016 RM'000	2015 RM'000
Property and equipment		
Realised gain	77	7,689
AFS financial assets:		
Realised gains:		
Equity securities	-	33,422
Unit trust distribution	20	1,206
Corporate Bonds	1,199	-

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

	2016 RM'000	2015 RM'000
Realised losses:		
Equity securities	(14)	-
Corporate Bonds	(715)	(46)
	567	42,271

19. FAIR VALUE LOSSES

	2016 RM'000	2015 RM'000
Fair value adjustment on investment properties (Note 5)	(1,250)	(373)
Fair value adjustment for FVTPL	(312)	770
Impairment loss on AFS financial assets	(3,237)	(5,267)
	(4,799)	(4,870)

20. OTHER OPERATING INCOME

	2016 RM'000	2015 RM'000
Realised (loss)/gain on foreign exchange	(265)	93
Sundry income (net of expenses)	2,104	2,352
	1,839	2,445

21. NET CLAIMS INCURRED

	Note	2016 RM'000	2015 RM'000
(a) Gross claims paid	13	(555,713)	(343,873)
(b) Claims ceded to reinsurers	13	200,659	48,228
(c) Gross change in contract liabilities		176,327	(241,610)
(d) Change in contract liabilities ceded to reinsurers		(180,802)	199,912
		(359,529)	(337,343)

22. MANAGEMENT EXPENSE

	2016 RM'000	2015 RM'000
Employee benefits expense (Note 22(a))	69,521	59,817
Directors' fees and allowances (Note 22(b)(iii))	158	196
Auditors' remuneration:		
- statutory audits	211	186
- regulatory related fees	48	48
- other services	71	96
Rental of properties	1,899	1,354
Depreciation of property and equipment	4,447	3,452
Property and equipment written-off	1,049	-
Amortisation of intangible assets	898	348
Allowance for impairment losses on insurance receivables	773	5,869
Bad debts written-off	187	997
Computer service charges	5,486	3,987
Other expenses	34,995	34,214
	119,743	110,564

(a) Employee benefits expense

	2016 RM'000	2015 RM'000
Wages, salaries and bonus	55,642	52,341
Social security contributions	559	478
Contributions to defined contribution plan, EPF	8,626	6,417
Other benefits	4,694	581
	69,521	59,817

Included in above are remuneration paid to Chief Executive Officer ("CEO") and Executive Director of RM3,432,177 (2015: RM1,739,511) and RM60,928 (2015: RM246,360) respectively as further disclosed in Note 22(b).

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:

	2016 RM'000	2015 RM'000
(i) Chief Executive Officer/Executive Director		
Dato' Loh Lye Ngok		
- Salaries	1,208	1,096
- Bonus	327	386
- Contribution to defined contribution plan, EPF	231	223
- Benefits-in-kind	35	35
- Gratuity	1,631	-
	3,432	1,740
(ii) Executive Director		
Allowance		
- Yuji Kawauchi	42	168
	42	168
Benefits-in-kind		
- Yuji Kawauchi	19	78
	19	78
Total remuneration for Executive Directors	3,493	1,986
(iii) Non-Executive directors		
Directors' fees		
- Dato' Haji Ahmad Bin Sidek	34	78
- Datuk Bhupatrai A/L Mansukhlal Premji	-	27
- Azhar Bin Mohamad	60	54
- Dato' Yong Bun Fou	30	-
	124	159
Meeting allowances		
- Dato' Haji Ahmad Bin Sidek	10	18
- Datuk Bhupatrai A/L Mansukhlal Premji	-	8
- Azhar Bin Mohamad	17	11
- Dato' Yong Bun Fou	7	-
	34	37
Total director fees and allowances for non-executive directors	158	196

23. INCOME TAX EXPENSE

	2016 RM'000	2015 RM'000
Income tax:		
- Current income tax	16,328	17,681
- Under-provision in prior years	2,576	118
	18,904	17,799
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	(1,488)	(1,469)
Relating to reduction		
- in Malaysian income tax Rate	(274)	812
- Under provision in prior years	3,485	2,285
	1,723	1,628
Tax expense for the year	20,627	19,427

Current income tax is calculated at the Malaysian tax rate of 24% (2015: 25%) 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:

	2016 RM'000	2015 RM'000
Profit before tax	75,657	103,259
Taxation at Malaysian statutory tax rate of 24% (2015 : 25%)	18,158	25,815
Effect of income not subject to tax	(6,598)	(10,542)
Effect of expenses not deductible for tax purposes	3,280	2,692
Effect on opening deferred tax of reduction in Malaysian income tax rate	(274)	812
Underprovision of deferred tax in prior years	3,485	2,285
Provision of income tax in prior years	2,576	118
Deduction in relation to MMIP cash calls	-	(1,753)
Tax expense for the year	20,627	19,427

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.

	2016	2015
Net profit for the year (RM'000)	55,030	83,832
Number of ordinary shares in issue ('000)	118,000	118,000
Basic and diluted earnings per share (sen)	46.6	71.0

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.

25. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances

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

	2016 RM'000	2015 RM'000
Related party transactions:		
(Expenses)/income:		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.		
Premium ceded	(16,878)	(1,450)
Commission received	5,411	214
Claims recoveries	2,583	272
Holding Company:		
- Sompo Holdings (Asia) Pte. Ltd. (Formerly knowns as Sompo Japan Asia Holdings Pte. Ltd.)		
Premium ceded	(1,038)	(4,926)
Commission received	223	1,280
Claims recoveries	944	2,419
Expenses	(759)	-
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Premium ceded	(8,521)	(8,270)
Commission received	2,434	2,351
Claims recoveries	1,838	1,716
Corporate shareholder:		
- Berjaya Corporation Berhad and its related companies		
Gross premium income	27,596	29,174
Brokerage fee	(3,640)	(3,656)
Related party balances:		
Due to related companies		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.	(2,265)	(2,685)
Holding Company:		
- Sompo Holdings (Asia) Pte. Ltd.	(759)	(13)

25. RELATED PARTY DISCLOSURES (CONT'D.)

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

	2016 RM'000	2015 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	(385)	(427)
Related party balances:		
Due from related company:		
Corporate shareholder		
- Berjaya Corporation Berhad and its related companies	4,029	4,554
Holding Company:		
- Sompo Holdings (Asia) Pte. Ltd.	929	-
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	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 Non-Executive Directors during the financial year was as follows:

	2016 RM'000	2015 RM'000
Short term employee benefits		
- Salaries, allowances and bonus	1,577	1,650
- Other remuneration	231	223
- Benefits-in-kind	54	113
- Gratuity	1,631	-
Director fees and allowances	158	196
	3,651	2,182

26. RISK MANAGEMENT FRAMEWORK

(a) Risk Management Policy

The Board of Directors 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 higher 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.

26. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

The detailed line accountability for risk management is fully aligned with the Company's Risk Governance structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the Company's risks are attributed to the CEO, 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 Internal Capital Adequacy Assessment Process (ICAAP) Policy covers the activities of Company which is regulated by Bank Negara Malaysia (BNM) under the Financial Services Act, 2013. The main objective of the ICAAP is to ensure the Company has sufficient capital to adequately fund day to day operations, weather 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 exceptional but adverse plausible events. The stress test results together with the mitigating plans are tabled every half-year for the Board's deliberation and recommendation prior to submission to BNM.

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:

	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	388,409	(16,989)	371,420	358,638	(15,578)	343,060
Fire	99,822	(46,687)	53,135	108,205	(69,106)	39,099
Marine, Aviation & Transit	26,740	(12,266)	14,474	28,020	(14,639)	13,381
Miscellaneous	215,257	(53,687)	161,570	203,489	(59,252)	144,237
	730,228	(129,629)	600,599	698,352	(158,575)	539,777

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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.)

	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000	2015 Gross RM'000	2015 Reinsurance RM'000	2015 Net RM'000
Premium Liabilities						
Motor	210,182	(9,882)	200,300	179,177	(6,666)	172,511
Fire	18,270	(7,660)	10,610	31,316	(21,442)	9,874
Marine, Aviation & Transit	5,663	(2,867)	2,796	4,488	(1,785)	2,703
Miscellaneous	97,104	(17,711)	79,393	96,560	(25,099)	71,461
	331,219	(38,120)	293,099	311,541	(54,992)	256,549
Claims Liabilities						
Motor	367,133	(37,066)	330,067	354,341	(25,238)	329,103
Fire	58,173	(37,828)	20,345	229,562	(206,552)	23,010
Marine, Aviation & Transit	18,651	(11,380)	7,271	15,422	(8,791)	6,631
Miscellaneous	207,559	(122,393)	85,166	228,518	(148,888)	79,630
	651,516	(208,667)	442,849	827,843	(389,469)	438,374

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.

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 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)
31 December 2015					
Average Claims Cost	+10%	86,927	38,842	(38,842)	(29,132)
Average Number of Claims	+10%	47,366	19,222	(19,222)	(14,417)
Average Claim Settlement Period	Increased by 6 months	6,654	3,720	(3,720)	(2,790)

* *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 cumulative incurred claims, both claims notified and IBNR for each successive 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 and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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27. INSURANCE RISK

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

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

Accident Year	2008 RM'000	2009 RM'000	2010 RM'000	30.04.2011 RM'000	31.12.2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
Ultimate Claims Incurred											
At end of accident year			287,709	315,751	200,827	295,219	338,905	390,854	600,496	504,739	
One year later		283,350	279,538	310,577	220,868	282,486	325,678	379,357	531,144		
Two years later	215,547	285,751	288,667	310,373	212,340	289,540	309,973	378,327			
Three years later	218,525	287,740	281,001	303,543	205,987	279,734	298,660				
Four years later	218,009	278,040	273,702	301,697	201,481	271,928					
Five years later	214,093	273,151	269,032	297,606	197,835						
Six years later	209,806	268,203	264,643	293,687							
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	74,873	94,519	121,630	131,049	65,454	120,830	137,093	146,210	184,676	220,921	
One year later	150,182	189,035	206,994	217,351	156,677	215,667	231,664	255,704	417,890		
Two years later	170,109	229,616	231,273	249,553	176,052	251,009	253,250	327,130			
Three years later	190,043	245,909	248,681	269,658	180,830	259,632	265,796				
Four years later	196,842	253,022	254,798	276,000	182,488	263,471					
Five years later	200,554	258,699	256,628	277,856	183,724						
Six years later	202,308	260,391	259,891	279,263							
Seven years later	202,826	261,352	261,022								
Eight years later	203,206	261,565									
Nine years later	203,222										
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)	555	1,450	1,721	14,424	14,111	8,457	32,864	51,197	113,254	283,818	521,851
Case Reserves for Accident Years Prior to 2008											1,100
Treaty Inwards											1,852
MMIP											50,494
Best Estimate of Claim Liabilities											575,297
Claim Handling Expenses											7,509
Fund PRAD at 75% Confidence Interval											68,710
Gross general insurance contract liabilities (Note 13)											**651,516**

27. INSURANCE RISK (CONT'D.)

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

Gross General Insurance Contract Liabilities for 2015 (RM '000)

Accident Year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	30.04.2011 RM'000	31.12.2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Ultimate Claims Incurred											
At end of accident year				287,709	315,751	200,827	295,219	338,905	390,854	600,496	
One year later			283,350	279,538	310,577	220,868	282,486	325,678	379,357		
Two years later		215,547	285,751	288,667	310,373	212,340	289,540	309,973			
Three years later	183,060	218,525	287,740	281,001	303,543	205,987	279,734				
Four years later	183,669	218,009	278,040	273,702	301,697	201,481					
Five years later	182,832	214,093	273,151	269,032	297,606						
Six years later	179,815	209,806	268,203	264,643							
Seven years later	177,676	506,650	263,217								
Eight years later	176,433	203,907									
Nine years later	174,494										
Current estimate of cumulative claims incurred	174,494	203,907	263,217	264,643	297,606	201,481	279,734	309,973	379,357	600,496	**2,974,908**
Cumulative Claims Paid											
At end of accident year	59,660	74,873	94,519	121,630	131,049	65,454	120,830	137,093	146,210	184,676	
One year later	126,010	150,182	189,035	206,994	217,351	156,677	215,667	231,664	255,704		
Two years later	140,325	170,109	229,616	231,273	249,553	176,052	251,009	253,250			
Three years later	155,610	190,043	245,909	248,681	269,658	180,830	259,632				
Four years later	167,310	196,842	253,022	254,798	276,000	182,488					
Five years later	169,994	200,554	258,699	256,628	277,856						
Six years later	171,713	202,308	260,391	259,891							
Seven years later	172,762	202,826	261,352								
Eight years later	173,015	203,206									
Nine years later	173,541										
Cumulative payments to date	173,541	203,206	261,352	259,891	277,856	182,488	259,632	253,250	255,704	184,676	**2,311,596**
Gross general insurance outstanding liabilities (direct and facultative inwards)	953	701	1,865	4,752	19,750	18,993	20,102	56,723	123,653	415,820	663,312
Case Reserves for Accident Years Prior to 2008											578
Treaty Inwards											1,170
MMIP											67,321
Best Estimate of Claim Liabilities											732,381
Claim Handling Expenses											7,127
Fund PRAD at 75% Confidence Interval											88,335
Gross general insurance contract liabilities (Note 13)											**827,843**

27. INSURANCE RISK

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

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

Accident Year	2008 RM'000	2009 RM'000	2010 RM'000	30.04.2011 RM'000	31.12.2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
Ultimate Claims Incurred											
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)	287	1,102	563	2,843	3,437	5,163	13,572	33,000	68,579	212,007	340,553
Case Reserves for Accident Years Prior to 2008											712
Treaty Inwards											1,852
MMIP											50,494
Best Estimate of Claim Liabilities											393,611
Claim Handling Expenses											7,509
Fund PRAD at 75% Confidence Interval											40,621
Additional provision											1,108
Net general insurance contract liabilities (Note 13)											**442,849**

27. INSURANCE RISK (CONT'D.)

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

Net General Insurance Contract Liabilities for 2015 (RM '000)

Accident Year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	30.04.2011 RM'000	31.12.2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Ultimate Claims Incurred											
At end of accident year		151,716	228,874	241,344	260,184	175,526	250,321	267,467	305,055	364,968	
One year later		171,844	234,672	240,602	263,707	176,436	236,815	252,739	291,453		
Two years later		179,078	239,689	244,690	262,851	171,128	234,789	240,713			
Three years later	158,347	181,291	240,792	239,310	257,357	168,901	228,884				
Four years later	158,687	180,360	233,458	233,943	255,273	165,150					
Five years later	157,991	177,406	228,230	228,145	252,880						
Six years later	156,515	173,743	223,356	223,793							
Seven years later	153,886	170,893	220,652								
Eight years later	152,904	169,363									
Nine years later	152,208										
Current estimate of cumulative claims incurred	152,208	169,363	220,652	223,793	252,880	165,150	228,884	240,713	291,453	364,968	**2,310,064**
Cumulative Claims Paid											
At end of accident year	54,369	61,683	86,389	103,322	121,391	61,935	114,139	121,059	134,283	168,712	
One year later	110,576	122,630	162,902	179,048	199,397	137,878	190,988	198,337	221,062		
Two years later	121,844	139,827	191,951	198,383	225,135	153,736	209,273	214,897			
Three years later	135,203	158,027	205,805	213,034	240,364	157,844	216,399				
Four years later	146,212	164,218	212,082	218,403	244,453	159,192					
Five years later	148,717	166,729	217,018	219,933	246,022						
Six years later	150,048	168,277	218,507	221,232							
Seven years later	151,048	168,750	219,284								
Eight years later	151,299	169,051									
Nine years later	151,643										
Cumulative payments to date	151,643	169,051	219,284	221,232	246,022	159,192	216,399	214,897	221,062	168,712	**1,987,494**
Net general insurance outstanding liabilities (direct and facultative inwards)	565	312	1,368	2,561	6,858	5,958	12,485	25,816	70,391	196,256	322,570
Case Reserves for Accident Years Prior to 2008											570
Treaty Inwards											1,170
MMIP											67,321
Best Estimate of Claim Liabilities											391,631
Claim Handling Expenses											7,127
Fund PRAD at 75% Confidence Interval											38,569
Additional provision											1,047
Net general insurance contract liabilities (Note 13)											**438,374**

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.

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.

	Neither impaired nor past-due					Past-due ** but not impaired	
31 December 2016	***AAA RM'000**	***AA RM'000**	***A RM'000**	***BBB RM'000**	**Not Rated RM'000**	**RM'000**	**Total RM'000**
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	-	-	-	-	5,417	-	5,417
Corporate Bonds	34,402	215,598	-	-	6,897	-	256,897
Reinsurance assets	-	2,788	160,622	-	45,257	-	208,667
Insurance receivables	-	-	229	-	40,984	30,758	71,971
Other receivables	-	-	-	-	77,846	-	77,846
Cash and cash equivalents	73,912	22,357	7,026	18,064	24	-	121,383
	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 108.*

28. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

31 December 2015	Neither impaired nor past-due					Past-due ** but not impaired	Total
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000	RM'000	RM'000
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	624	-	624
HTM financial assets							
Government Investment Issues	-	-	-	-	5,005	-	5,005
Corporate Bonds	15,031	15,021	-	-	-	-	30,052
LAR							
Fixed and call deposits	8,000	6,159	-	-	-	-	14,159
AFS financial assets							
Equity securities	-	-	-	-	101,199	-	101,199
Unit trust funds	-	-	-	-	633,442	-	633,442
Malaysian Government Securities	-	-	-	-	5,927	-	5,927
Government Investment Issues	-	-	-	-	3,992	-	3,992
Corporate Bonds	27,865	233,464	-	-	-	-	261,329
Reinsurance assets	-	15,576	161,179	-	212,714	-	389,469
Insurance receivables	-	-	193	-	42,323	29,841	72,357
Other receivables	-	-	-	-	76,444	-	76,444
Cash and cash equivalents	102,242	65,085	21,549	7,072	24	-	195,972
	153,138	335,305	182,921	7,072	1,081,694	29,841	1,789,971

** Based on public ratings assigned by reputable rating agencies.*

*** An ageing analysis for financial assets past due is provided on page 108.*

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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					
	< 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	Total RM'000
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
31 December 2015						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	8,301	3,324	3,984	10,848	2,773	29,230
Due from reinsurers and cedants	34	237	340	-	-	611
	8,335	3,561	4,324	10,848	2,773	29,841

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.

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

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 2015						
Financial assets:						
FVTPL - Warrant	624	-	624	-	-	624
HTM - Government Investment Issues	5,005	5,172	-	-	-	5,172
HTM - Corporate Bonds	30,052	5,108	10,904	19,283	-	35,295
LAR - Deposits with licensed financial institution	14,159	14,159	-	-	-	14,159
AFS - Equity Securities	101,199	-	-	-	101,199	101,199
AFS - Corporate Bonds	261,329	3,110	142,743	188,201	-	334,054
AFS - Unit trust funds	633,442	-	-	-	633,442	633,442
AFS - Malaysian Government Securities	5,927	-	1,185	4,917	-	6,102
AFS - Government Investment Issues	3,992	-	4,700	-	-	4,700
Reinsurance assets - claim liabilities	389,469	218,102	135,737	35,630	-	389,469
Insurance receivables	72,357	72,357	-	-	-	72,357
Other receivables	76,444	4,136	-	-	72,308	76,444
Cash and cash equivalents	195,972	177,360	-	-	19,128	196,488
Total Assets	1,789,971	499,504	295,893	248,031	826,077	1,869,505
Insurance contract liabilities:						
Claim liabilities	827,843	441,487	330,728	55,628	-	827,843
Insurance payables	112,597	112,597	-	-	-	112,597
Other payables	28,596	28,377	219	-	-	28,596
Total Liabilities	969,036	582,461	330,947	55,628	-	969,036

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).

28. FINANCIAL RISK (CONT'D.)

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

	2016		2015	
	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	-	(55)	-	(63)
Interest Rate -50bps	-	55	-	63

(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.

		2016		2015	
		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%	60	11,478	62	10,108
Equity prices	-10%	(60)	(11,478)	(62)	(10,108)
NAV	+10%	-	75,382	-	63,344
NAV	-10%	-	(75,382)	-	(63,344)

* 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.

28. FINANCIAL RISK (CONT'D.)

(g) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational 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 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 review across the various departments to ensure all business activities are complied 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 markerts 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.

		2016				2015			
		Fair value measurement using:				Fair value measurement using:			
	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets for which fair values are disclosed:									
HTM									
Government Investment Issues	6 (b)	-	-	-	-	-	5,046	-	5,046
Corporate Bonds	6 (b)	-	24,704	-	24,704	-	29,593	-	29,593
		-	24,704	-	24,704	-	34,639	-	34,639
Assets measured at fair value on a recurring basis:									
Investment properties	5	-	-	18,030	18,030	-	-	19,280	19,280
FVTPL									
Warrants	6 (a)	299	-	-	299	624	-	-	624
AFS									
Equity securities	6 (d)	114,778	-	-	114,778	101,081	-	-	101,081
Unit trust funds	6 (d)	753,820	-	-	753,820	633,442	-	-	633,442
Corporate Bonds	6 (d)	-	256,897	-	256,897	-	261,329	-	261,329
Malaysian Government Securities	6 (d)	-	5,417	-	5,417	-	9,919	-	9,919
		868,897	262,314	18,030	1,149,241	735,147	271,248	19,280	1,025,675

There has been no transfer between level 1 and level 2 fair values 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 feet of the properties. The values of the unobservable input used was in the range of RM262 - RM2,522 (2015:RM260 - RM2,500) per square feet. The fair value would increase / (decrease) if the value per square foot and weighted average value per square foot used is higher / (lower).

30. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital Framework issued by Bank Negara Malaysia, 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 2016, as prescribed under the RBC Framework is provided below:

	Note	2016 RM'000	2015 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	12	118,000	118,000
Retained earnings		604,526	549,496
		722,526	667,496
Tier 2 Capital			
AFS fair value reserve		23,056	18,238
Deductions			
Intangible assets	4	(15,937)	(1,792)
Total capital available		729,645	683,942

31. CAPITAL COMMITMENTS

	2016 RM'000	2015 RM'000
Capital Expenditure approved and contracted for :		
Property and equipment	-	8,044
Intangible asstes	7,141	23,869
	7,141	31,913

32. SUBSEQUENT EVENTS

Proposed decision by Malaysian Competition Commission ("MyCC")

On 10 August 2016, the MyCC initiated an investigation based on a complaint filed by the Federation of Automobile Workshop Owners' Association (”FAWOAM”) alleging that Persatuan Insurance Am Malaysia (“PIAM”) and its 22 member companies, including Berjaya Sompo Insurance Berhad (“BSIB”), were fixing trade discounts for parts of certain vehicle makes and labour rates for PIAM Approved Repairer Scheme workshops, which is tantamount to an infringement of Section 4(2)(a) of the Competition Act, 2010. These rates were applied by the Company pursuant to a members' circular issued by PIAM upon Bank Negara Malaysia's directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and hourly labour rates.

32. SUBSEQUENT EVENTS (CONT'D)

On 22 February 2017, the Company received 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.

However, the proposed decision is not final at the date of this report and the Company will be asserting its position along with the 21 members of PIAM against the proposed decision by MyCC on the basis that they have acted on the directive from Bank Negara Malaysia. The Company is currently in consultation with its legal advisors and will take the appropriate action to defend its position. On 1 March 2017, Bank Negara Malaysia issued a press statement confirming that the arrangement which is the subject of MyCC's proposed decision was put in place in response to a clear directive from Bank Negara Malaysia to the general insurers in 2011.