Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2016

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the member 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 all classes of life insurance business, including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	75,365

DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

As at 24 March 2017, the Directors have not recommended any final dividend for the financial year ended 31 December 2016.

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that there was adequate provision for the insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM") for insurers.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

At the date of this report, the Directors of the Company are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, including the value of current assets as shown in the accounting records of the Company have been written down to an amount which the current assets might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

BOARD OF DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Dato' Dr Yahya Bin Awang	Independent (Chairman)
Leong Kam Weng	Independent
Lee King Chi Arthur	Non-Independent Non-Executive
Chuah Sue Yin	Independent (appointed on 8 May 2016)
Tang Loo Chuan	Non-Independent Non-Executive (appointed on 8 May 2016)
Yip Jian Lee	Independent (resigned on 8 May 2016)
Hideyuki Ishii	Non-Independent Non-Executive (resigned on 8 May 2016)

<u>Responsibilities</u>

The Board is responsible for:

(a) reviewing and approving the strategic plan for the Company;

(b) reviewing and approving the Company's overall risk strategy, including the risk appetite and oversee its implementation;

(c) identifying principal risks and ensure the implementation of appropriate systems to manage these risks, including application of immediate remedial measures should the need arise;

(d) ensuring the Company maintains an appropriate level and quality of capital for its risk profile and business plan;

BOARD OF DIRECTORS (CONTINUED)

Responsibilities (continued)

(e) overseeing the conduct of the Company's business, including that of Participating business, to ensure sound management by the senior management and to evaluate whether the business is properly managed towards achieving corporate objectives, and that the Company's dealings with shareholders, policyholders, claimants and creditors are conducted in a fair and equitable manner;

(f) safeguarding the integrity and credibility of the Company, including ensuring that the senior management and all levels of employees conduct business with highest level of moral behavior and in a manner that instills public confidence;

(g) providing a clear framework of objectives and policies for the senior management to operate, including the setting of authority limits and reporting lines;

(h) reviewing and be responsible for the adequacy and integrity of the Company's internal control systems and management information systems, including policies and procedures for compliance with applicable laws, regulations, rules, directives and guidelines;

(i) developing, implementing and maintaining an effective communications policy that enables both the Board of Directors ("the Board") and the senior management to communicate effectively with its shareholders, stakeholders and public;

(j) safeguarding the interests of policyholders and shareholders with trustworthy, prudent, efficient and able administration;

(k) adhering to sound corporate governance principles in the appointment or reappointment of Directors, Chief Executive Officer and Company Secretary, the structure and composition of the Board and the individual Board committees as well as relevant disclosures;

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

(m) approving the remuneration framework for the Company;

(n) approving the appointment, remuneration and dismissal of the Chief Executive Officer, key senior officers and regulated management positions;

(o) ensure succession planning is in place, including the appointment, training, setting up of compensation and where appropriate, replacement of senior management members; and

(p) responsible for the management of the Company's affairs under the law, including the consequences of unsound or imprudent policies and practices.

BOARD OF DIRECTORS (CONTINUED)

The Board held six (6) meetings during the financial year which were attended by the Directors as follows:

Board of Directors:	Number of meetings attended:
Tan Sri Dato' Dr Yahya Bin Awang	6/6
Leong Kam Weng	6/6
Lee King Chi Arthur	6/6
Chuah Sue Yin	4/4
Tang Loo Chuan	4/4
Yip Jian Lee	2/2
Hideyuki Ishii	2/2

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its holding company or subsidiaries of the holding company during the financial year, except as follows:

	Number of ordinary shares			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Asia General Holdings Limited				
Lee King Chi Arthur *	1	-	-	1
Tokio Marine Life Insurance Singapore Ltd.				
Lee King Chi Arthur **	1	-	-	1

* As nominee of Tokio Marine & Nichido Fire Insurance Co., Ltd.
** As nominee of Asia General Holdings Limited

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 21 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REMUNERATION

The Directors' remuneration is disclosed in Notes 21 and 27(iii) to the financial statements. There is no indemnity given or insurance effected for any Director and officer of the Company.

IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The Directors regard Tokio Marine Life Insurance Singapore Ltd., a company incorporated in Singapore, as the Company's immediate holding company and Tokio Marine Holdings, Inc., a company incorporated in Japan, as the ultimate holding company.

CORPORATE GOVERNANCE

The Company has taken concerted steps to ensure compliance with Policy Document on Corporate Governance ("Policy Document") issued by BNM, and its best practical applications. The Board is committed to the principles prescribed in the Policy Document.

In compliance with Corporate Governance, the Board has established four (4) Board Committees as set out below.

NOMINATING COMMITTEE

<u>Membership</u>

Leong Kam Weng	Independent (Chairman)
Tan Sri Dato' Dr Yahya Bin Awang	Independent
Lee King Chi Arthur	Non-Independent Non-Executive
Chuah Sue Yin	Independent (appointed on 8 May 2016)
Tang Loo Chuan	Non-Independent Non-Executive (appointed on 8 May 2016)
Yip Jian Lee	Independent (resigned on 8 May 2016)
Hideyuki Ishii	Non-Independent Non-Executive (resigned on 8 May 2016)

NOMINATING COMMITTEE (CONTINUED)

Responsibilities

The Committee is responsible for:

(a) establishing the minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. The Committee shall ensure that the requirements adhere with the guidelines from BNM;

(b) recommending and assessing the nominees for directorship, the Directors to fill the Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to BNM;

(c) establishing mechanisms for the assessment on the effectiveness of the Board, and the performance of the Chief Executive Officer and key senior officers;

(d) recommending to the Board the removal of Directors, Chief Executive Officer and key senior officers if they are found to be ineffective or negligent in discharging their duties;

(e) overseeing the management succession planning; and

(f) ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

The procedures for appointment and assessment must be approved by the Board and disclosed to the shareholders. The Committee is required to report its recommendations to the Board for decision.

The Committee held two (2) meetings during the financial year and the attendance of the members are as follows:

Members of the Committee:	Number of meetings attended:
Leong Kam Weng	2/2
Tan Sri Dato' Dr Yahya Bin Awang	2/2
Lee King Chi Arthur	2/2
Chuah Sue Yin	1/1
Tang Loo Chuan	1/1
Yip Jian Lee	1/1
Hideyuki Ishii	1/1

The Committee is of the view that the current Board comprises person who as a group provide core competencies necessary to meet the Company's goals.

The Committee evaluates the contribution of each Director to the Company. Assessment parameters include demonstration of integrity, commitment and competence, attendance record at meetings of the Board and Committees, vigour and intensity of participation at meetings and special contributions.

NOMINATING COMMITTEE (CONTINUED)

The Committee also evaluates the Board's performance as a whole. The assessment process looks at both quantitative and qualitative criteria, which include review of discussions as reported in minutes of Board and Committee meetings, various financial benchmarks and performance ratios, the structural characteristics of the Board, the combined contributions and competencies of individual Directors and the effectiveness of the Board in monitoring management's performance.

The Committee is of the view that the Board as a whole has provided effective policy and strategic direction for the Company and took active participation in monitoring the performance of the management and accordingly, is satisfied with the effectiveness of the Board as a whole.

REMUNERATION COMMITTEE

Membership

Leong Kam Weng	Independent	(Chairman, appointed on 29 September 2016)
Lee King Chi Arthur	Non-Independent Non-Executive	
Chuah Sue Yin	Independent	(appointed on 8 May 2016)
Tang Loo Chuan	Non-Independent Non-Executive	(appointed on 8 May 2016)
Yip Jian Lee	Independent	(Chairperson, resigned on 8 May 2016)
Hideyuki Ishii	Non-Independent Non-Executive	(resigned on 8 May 2016)
Tan Sri Dato' Dr Yahya Bin Awang	Independent	(Chairman, appointed on 8 May 2016 and resigned on 29 September 2016)

Responsibilities

The Committee is responsible for:

(a) developing a framework of remuneration for Directors, Chief Executive Officer and key senior officers. The framework should be approved by the Board and any changes are subjected to the approval of the Board and shareholders, if applicable; and

(b) recommending specific remuneration packages for Directors, Chief Executive Officer and key senior officers. The remuneration packages should be based on objective considerations and approved by the Board.

The Committee held one (1) meeting during the financial year which were attended by the members as follows:

Members of the Committee:	Number of meetings attended:
Leong Kam Weng	1/1
Lee King Chi Arthur	1/1
Chuah Sue Yin	-
Tang Loo Chuan	-
Yip Jian Lee	1/1
Hideyuki Ishii	1/1
Tan Sri Dato' Dr Yahya Bin Awang	-

AUDIT COMMITTEE

Membership

Leong Kam Weng	Independent (Chairman, appointed on 8 May 2016)
Lee King Chi Arthur	Non-Independent Non-Executive
Chuah Sue Yin	Independent (appointed on 8 May 2016)
Yip Jian Lee	Independent (Chairperson, resigned on 8 May 2016)

Responsibilities

The Committee is established pursuant to the requirements of BNM/RH/GL/003-22: Guidelines on Audit Committees and Internal Audit Departments to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to stakeholders, the system of internal controls that the management and the Board have established and the audit processes. In doing so, the Committee is providing an avenue for external and internal auditors to effectively voice their findings.

The Committee is responsible for:

(a) appointing the external auditors having regarded their independence, nature and scope of audit, as well as approving any provision of non-audit services by them where required;

(b) reviewing the statutory financial statements of the Company, including the discussion of the results and findings arising from the external audits;

(c) considering any related-party transactions that may arise within the Company or Tokio Marine group of companies;

(d) reviewing the adequacy of the scope, functions and resources of internal audit function, including assessing the necessary authority and performance of its members; and

(e) reviewing the internal audit programme and findings of the internal audit process and where necessary, ensuring that appropriate actions are taken on the recommendations of internal audit function.

The Committee held five (5) meetings during the financial year and the attendance of the members are as follows:

Members of the Committee:	Number of meetings attended:
Leong Kam Weng	5/5
Lee King Chi Arthur	5/5
Chuah Sue Yin	3/3
Yip Jian Lee	2/2

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Membership

Chuah Sue Yin	Independent (Chairperson, appointed on 8 May 2016)
Tan Sri Dato' Dr Yahya Bin Awang	Independent
Lee King Chi Arthur	Non-Independent Non-Executive
Tang Loo Chuan	Non-Independent Non-Executive (appointed on 8 May 2016)
Leong Kam Weng	Independent (Chairman, resigned on 8 May 2016)
Yip Jian Lee	Independent (resigned on 8 May 2016)
Hideyuki Ishii	Non-Independent Non-Executive (resigned on 8 May 2016)

Responsibilities

The Committee is responsible for:

(a) reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;

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

(c) ensuring there are adequate infrastructure, resources and systems are in place for effective risk management. This includes ensuring that the staff responsible for implementing risk management systems perform their responsibilities independently of the Company's risk taking activities;

(d) reviewing reports from management on risk exposure, risk portfolio composition and risk management activities;

(e) reviewing and evaluating the adequacy of the compliance management framework in the Company;

(f) reviewing the management of any compliance incidents reported to and managed by the management as well as to provide oversight on compliance reporting requirements; and

(g) ensuring that adequate infrastructure, resources and systems are in place for effective compliance management. This includes ensuring that the staff responsible for managing compliance is duly empowered to perform their responsibilities independently.

RISK MANAGEMENT AND COMPLIANCE COMMITTEE (CONTINUED)

The Committee held four (4) meetings during the financial year which were attended by the members as follows:

Members of the Committee:	Number of meetings attended:
Chuah Sue Yin	3/3
Tan Sri Dato' Dr Yahya Bin Awang	4/4
Lee King Chi Arthur	4/4
Tang Loo Chuan	3/3
Leong Kam Weng	4/4
Yip Jian Lee	1/1
Hideyuki Ishii	1/1

The Committee is supported by the Company's Senior Management, the Compliance Department and the Risk Management Department.

MANAGEMENT ACCOUNTABILITY

The Board has established a Management Committee ("MC") to implement the strategy and to provide consultation, guidance and decision-making for the Company in its day-to-day operations. The MC is consulted to discuss, assess and evaluate strategic and operational issues involving the Company, and addresses any key issues or problems identified or raised. The primary objective of the MC is to ensure that the affairs of the Company are managed effectively and without detriment to the wellbeing of the Company.

Information is effectively communicated to the relevant employees within the Company. The Company has a formal and transparent procedure for developing policy on executive remuneration. None of the Directors and senior management of the Company have, in any circumstances, conflict of interest referred to in Sections 54 and 55 of the Financial Services Act, 2013.

CORPORATE INDEPENDENCE

The Company complies with BNM's Guidelines on Related-Party Transactions and Corporate Governance for related party transactions and balances which have been disclosed in the statutory financial statements in compliance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

INTERNAL CONTROL

The Board has the responsibility for the adequacy and integrity of the Company's internal control systems and management information systems, including policies and procedures for compliance with applicable laws, regulations, rules, directives and guidelines.

INTERNAL AUDIT

Continuous review and assessment of the effectiveness and adequacy of internal controls, which include an independent examination of controls by the Internal Audit function, and ensure corrective action where necessary, is taken on a timely manner.

PUBLIC ACCOUNTABILITY

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. The Company meets all prescriptive and best practice requirements under this section relating to unfair practices.

FINANCIAL REPORTING

The Board has the overall responsibilities to ensure that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Company meets all prescriptive requirements under this section relating to proper records, annual reports, public disclosure and statutory reporting.

SUBSIDIARIES

The Company does not have any subsidiaries.

AUDITORS' REMUNERATION

Details of auditors' remuneration are disclosed in Note 21 to the statutory financial statements. There is no indemnity given or insurance effected for any auditor of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 24 March 2017. Signed on behalf of the Board of Directors:

LEONG KAM WENG DIRECTOR	CHUAH SUE YIN DIRECTOR

Company No.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

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

We, Leong Kam Weng and Chuah Sue Yin, two of the Directors of Tokio Marine Life Insurance Malaysia Bhd., state that, in the opinion of the Directors, the financial statements set out on pages 19 to 94 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and financial performance of the Company for the financial year ended 31 December 2016 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 24 March 2017.

LEONG KAM WENG
DIRECTOR

CHUAH SUE YIN
DIRECTOR

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

I, Toi See Jong, the officer primarily responsible for the financial management of Tokio Marine Life Insurance Malaysia Bhd., do solemnly and sincerely declare that the financial statements set out on pages 19 to 94 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.

TOI SEE JONG

Subscribed and solemnly declared by the abovenamed Toi See Jong at Kuala Lumpur in Malaysia on 24 March 2017, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)
(Company No. 457556-X)

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Tokio Marine Life Insurance Malaysia Bhd. ("the Company") 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 financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 94.

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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 457556-X)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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 the 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.

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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.

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:

(a) 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.

(b) 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.

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

(d) 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.

(e) 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(CONTINUED)
(Incorporated in Malaysia)
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REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
(No. 2954/03/17 (J))
Chartered Accountant

Kuala Lumpur
24 March 2017

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Property, plant and equipment	3	163,228	164,545
Investment properties	4	149,599	138,149
Intangible assets	5	97,711	108,932
Financial investments			
Available-for-sale financial assets	6a	5,016,202	4,705,320
Fair value through profit or loss financial assets	6b	643,610	543,507
Held-to-maturity financial assets	6c	931,497	967,525
Loans and receivables	6d	508,383	540,333
Insurance receivables	7	43,323	29,574
Other receivables	8	7,051	14,779
Cash and cash equivalents		318,198	310,981
TOTAL ASSETS		7,878,802	7,523,645
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital	9	226,000	226,000
Retained earnings	10	493,354	417,989
Available-for-sale reserve		(536)	(4,434)
Asset revaluation reserve		2,889	2,799
TOTAL EQUITY		721,707	642,354
Insurance contract liabilities	11	6,449,420	6,239,097
Insurance payables	12	473,479	438,068
Other payables	13	53,308	43,552
Provision for agency long association benefits	14	27,486	27,884
Current tax liabilities		6,363	3,530
Deferred tax liabilities	15	147,039	129,160
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES		7,157,095	6,881,291
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		7,878,802	7,523,645

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

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Gross earned premium revenue		1,086,768	1,065,579
Premiums ceded to reinsurers		(73,134)	(52,212)
Net earned revenue		1,013,634	1,013,367
Investment income	16	305,005	291,751
Net realised gains	17	13,732	12,018
Net fair value gains	18	36,627	31,972
Fee and commission income	19	48	196
Other income		355,412	335,937
Gross benefits and claims paid		(870,027)	(700,328)
Claims ceded to reinsurers		66,662	47,089
Gross/net change to insurance contract liabilities		(175,652)	(310,528)
Net insurance benefits and claims		(979,017)	(963,767)
Commission and agency expenses		(114,797)	(113,631)
Management expenses	21	(155,554)	(133,801)
Other operating income/(expenses) – net	20	172	(2,505)
Other expenses		(270,179)	(249,937)
Profit before taxation		119,850	135,600
Taxation	22	(44,485)	(42,945)
Net profit for the financial year		75,365	92,655

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

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016 RM'000	2015 RM'000
Other comprehensive income/(loss):			
Items that may be subsequently recycled to profit or loss			
Fair value change on available-for-sale financial assets:			
Net unrealised gains/(losses) arising during the financial year	6e	26,086	(73,205)
Net realised gains transferred to profit or loss	17	(13,732)	(12,046)
Tax effects thereon		(915)	7,133
Fair value gains/(losses), net of tax		11,439	(78,118)
Change in insurance contract liabilities arising from net fair value (losses)/gains	11	(7,541)	76,287
Net fair value change		3,898	(1,831)
Asset revaluation reserve:			
Gross asset revaluation surplus	3	-	16,412
Tax effects thereon		1,732	(3,044)
Asset revaluation surplus, net of tax		1,732	13,368
Change in insurance contract liabilities arising from net asset revaluation surplus	11	(1,642)	(12,363)
Net asset revaluation surplus		90	1,005
Total other comprehensive income/(loss)		3,988	(826)
Total comprehensive income for the financial year		79,353	91,829
Basic earnings per share (sen)	23	33.35	47.03

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

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

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

	Note	Issued and fully paid ordinary shares of RM1.00 each					
		Number of shares	Nominal value	Available -for-sale reserve	Asset revaluation reserve	Retained earnings*	Total
		'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015		100,000	100,000	(2,603)	1,794	325,334	424,525
Increase in share capital	9	126,000	126,000	-	-	-	126,000
Total comprehensive (loss)/income for the financial year		-	-	(1,831)	1,005	92,655	91,829
At 31 December 2015		226,000	226,000	(4,434)	2,799	417,989	642,354
Total comprehensive income for the financial year		-	-	3,898	90	75,365	79,353
At 31 December 2016		226,000	226,000	(536)	2,889	493,354	721,707

* Included in the retained earnings as at 31 December 2016 is unallocated surplus in the non-discretionary participation features ("non-DPF") fund (net of deferred tax) of RM479,678,000 (2015: RM429,767,000). These amounts are only distributable upon the actual recommended transfer from non-DPF fund to the Shareholders' Fund by the Appointed Actuary.

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

Company No.

457556	X

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

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

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	75,365	92,655
Adjustments:		
Investment income	(305,005)	(291,751)
Realised gains of AFS financial assets	(13,732)	(12,046)
Fair value gains of FVTPL financial assets	(21,784)	(26,083)
Fair value gains of investment properties	(9,662)	(9,838)
Loss on early redemption of HTM financial assets	30	-
Depreciation of property, plant and equipment	4,871	5,531
Write-offs of property, plant and equipment	12	7
Loss on disposal of property, plant and equipment	-	28
Amortisation of intangible assets	29,624	25,684
(Write-back of impairment)/impairment of AFS financial assets	(5,211)	3,949
(Write-back of impairment)/impairment loss of insurance receivables	(752)	2,544
Write-offs of insurance receivables	349	-
Impairment loss of other receivables	587	-
Provision for agency long association benefits	4,227	4,970
Taxation	44,485	42,945
Changes in working capital:		
Purchases of financial assets	(1,397,463)	(1,971,451)
Proceeds from maturity or disposal of financial assets	1,084,213	1,324,860
Decrease in fixed and call deposits	17,899	26,101
(Increase)/decrease in loans	(364)	11,950
Increase in insurance receivables	(13,346)	(5,562)
Decrease in other receivables	3,134	5,778
Increase in insurance contract liabilities	201,141	320,413
Increase in insurance payables	35,411	31,119
Increase/(decrease) in other payables	3,205	(20,150)
	(262,766)	(438,347)
Dividend income received	52,597	50,255
Interest income received	265,615	226,984
Rental income received	3,110	1,938
Agency long association benefits paid	(4,625)	(4,652)
Income tax paid	(22,956)	(32,152)
Net cash inflows/(outflows) from operating activities	30,975	(195,974)

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,699)	(5,553)
Proceeds from disposal of property, plant and equipment		-	54
Purchase of intangible assets		(14,769)	(133,887)
Purchase of investment properties		(1,290)	-
Net cash outflows from investing activities		(23,758)	(139,386)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital	9	-	126,000
Net cash inflows from financing activities		-	126,000
Net increase/(decrease) in cash and cash equivalents		7,217	(209,360)
Cash and cash equivalents at 1 January		310,981	520,341
Cash and cash equivalents at 31 December		318,198	310,981
Cash and cash equivalents comprise:			
Cash and bank balances		38,870	28,700
Fixed and call deposits with maturity of less than three months		279,328	282,281
		318,198	310,981

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of life insurance business, including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 7, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at Ground Floor, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

The Directors regard Tokio Marine Life Insurance Singapore Ltd., a company incorporated in Singapore, as the Company's immediate holding company and Tokio Marine Holdings, Inc., a company incorporated in Japan, as the ultimate holding company.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 24 March 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of Preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Insurance liabilities have been computed in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework issued by BNM. The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

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

As at 31 December 2016, the Company does not offset its financial assets with financial liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

The preparation of financial statements in conformity with MFRS requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2.3 to the financial statements.

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

2.2 Summary of Significant Accounting Policies

(a) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 profit or loss during the financial year in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to profit or loss.

Freehold land is not depreciated as it has an infinite life. Depreciation is provided so as to write off the cost of other property, plant and equipment on a straight line basis to allocate their cost to their residual values over the expected useful lives of the assets. The expected useful lives of the assets are summarised as follows:

Motor vehicles	5 years
Office equipment, furniture and fittings	10 years
Computer equipment	4 years
Renovation	10 years
Leasehold land	Lease period ranging from 51 to 913 years
Leasehold buildings	Lease period subject to a maximum of 50 years
Freehold buildings	50 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(a) Property, plant and equipment (continued)

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.2(d) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(b) Investment properties

Investment properties, comprising principally land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open market value determined by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values. Changes in fair values are recognised in profit or loss.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the financial year of the retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(c) Intangible assets

All intangible assets are stated at cost less accumulated depreciation and impairment losses.

(i) Computer software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially completed and ready for its intended purpose. These costs are amortised over their expected useful life of 4 years on a straight-line basis, with the useful lives being reviewed annually.

The assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

(ii) Exclusive bancassurance agreement

The exclusive bancassurance agreement provides the Company with an exclusive right to the use of the bancassurance network of a bank. The fee for this right is amortised over its useful life of 5 years using the straight line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

(d) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may be impaired. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. Recoverable amount is estimated for an individual asset, or, if it is not possible, for the cash-generating unit. Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to profit or loss immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Financial investments

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

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

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

(i) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include held-for-trading (“HFT”) financial assets and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as HFT. For investments designated as at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

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

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

(ii) HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at fair value. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Financial investments (continued)

(iii) Loans and receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less impairment losses. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) AFS financial assets

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

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

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

(f) Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(f) Fair value of financial instruments (continued)

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm’s length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management’s best estimates and the discount rate used is a market related rate for a similar instrument.

Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

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 of financial assets are also included in the cost of the financial assets except for FVTPL financial assets, where the transaction cost are expensed in profit or loss as they are incurred.

The carrying values of financial assets and financial liabilities with maturity period of less than one year are assumed to approximate their fair values.

(g) Impairment of financial instruments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a security is impaired. A security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the security that can be reliably estimated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(g) Impairment of financial instruments (continued)

(i) Financial assets carried at amortised cost

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

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

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

(ii) Financial assets carried at fair value

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

(h) Derecognition of financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Insurance contracts

The Company issues contracts that transfer mainly insurance risk.

Insurance risk is the risk other than 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.

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

Investment contracts are those contracts that do not transfer significant insurance risk. Currently, the Company does not issue any investment contracts.

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

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

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:

  (i) performance of a specified pool of contracts or a specified type of contract;
  (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  (iii) the profit or loss of the Company, fund or other entity that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the surplus must be attributed to the contract holders as a group (which can include future contract holders), while the amount and timing of the distribution to individual contract holders is at the discretion of the Company, approved by the Board of Directors based on the advice of the Appointed Actuary.

The recognition and measurement of the insurance contracts are set out in Note 2.2(k) and (m).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(j) Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.2(i) to the financial statements are classified as ceded reinsurance contracts.

Premium ceded and claims reimbursed are recognised in the same accounting period as the original policies to which the reinsurance relates.

The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance assets. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contracts.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. An allowance for impairment loss is established using the same method used for all financial assets carried at amortised cost. These processes are described in Note 2.2(g) to the financial statements.

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

(k) Life insurance contracts

Premiums

Premium income is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

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

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

Reinsurance premiums

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(k) Life insurance contracts (continued)

Commission and agency expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to profit or loss in the financial year in which they are incurred.

Benefits, claims and expenses

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

Benefits and claims arising on life insurance policies including settlement costs, less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

(i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;

(iii) benefits payable under investment-linked contract include net cancellation of units and are recognised as surrender; and

(iv) bonus on DPF policy upon its declaration.

(l) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(g) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(h) to the financial statements, have been met.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Life insurance contract liabilities

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

Life insurance contract liabilities comprise (i) provision for outstanding claims, (ii) actuarial liabilities, (iii) unallocated surplus, (iv) AFS fair value adjustment, (v) asset revaluation surplus adjustment and (vi) net asset value attributable to unitholders.

(i) Provision for outstanding claims

Provision for outstanding claims represent the amounts payable under a life insurance policy in respect of claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

(ii) Actuarial liabilities

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related circulars issued by BNM relevant to the guidelines.

The reinsurance recoverable of the liabilities is insignificant and hence is not accounted for in the measurement of the liabilities.

The liability in respect of policies of a participating insurance fund shall be taken as the higher of the guaranteed benefits liabilities or the total benefits liabilities at the fund level (derived in the method as stated in the above paragraph) as stipulated under paragraph 3.2, Appendix VII of the RBC Framework.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Life insurance contract liabilities (continued)

(ii) Actuarial liabilities (continued)

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised actuarial liabilities are adequate, net of present value of in-force business (“PVIF”) and by using an existing liability adequacy test based on the RBC Framework.

Any inadequacy is recorded in profit or loss, initially by impairing PVIF, and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

The liability adequacy test has been in-built in the valuation of actuarial liabilities, and hence separate assessment is carried out.

(iii) Unallocated surplus

Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Unallocated surpluses of the DPF where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year is held within insurance contract liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Life insurance contract liabilities (continued)

(iv) AFS fair value adjustment

Where unrealised fair value gains and losses arise on AFS financial assets of the DPF fund, the adjustment to the life insurance contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

(v) Asset revaluation surplus adjustment

Where asset revaluation surplus arises on the self-occupied properties of the DPF fund, the adjustment to the life insurance contract liabilities equal to the effect that the realisation of those surpluses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

The surpluses arising from the revaluation of the DPF's assets may be distributed by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the addition to revaluation surplus of 10% of the market value of the revalued property, whichever is lower.

(vi) Net asset value attributable to unitholders

The unit liability of investment-link contract is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

(n) Other revenue recognition

Interest income for all interest-bearing financial instruments including financial instruments measured at FVTPL, are recognised within investment income in profit or loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Rental income from investment properties is recognised on an accrual basis.

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

Gains or losses arising on disposal of investments are credited or charged to profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(o) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(p) Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and include all taxes based upon the taxable profits. The tax expense on the Life Fund is based on the method prescribed under the Income Tax Act, 1967 for life insurance business. Current tax is recognised in profit or loss.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax is recognised in profit or loss except when it arises from a transaction which is recognised in other comprehensive income, in which case, the deferred tax is also charged or credited to other comprehensive income.

(q) Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(r) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

Defined contribution plan

The Company's contributions to the Employees' Provident Fund ("EPF"), the national defined contribution plan, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(s) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(t) Dividends

Dividends are recognised as liabilities when the obligation to pay is established in which the dividends are declared and approved by the Company's shareholders and the regulator. No provision is made for a proposed dividend.

(u) Provisions

Provisions for agency long association benefits is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(v) Insurance payables and other payables

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

(w) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, and fixed and call deposits with original maturities of three months or less. It excludes deposits which are held for investment purpose.

(x) Statement of cash flows

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

(y) Share capital

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issuance of new shares are recognised as equity, net of tax.

2.3 Significant Accounting Judgements, Estimates and Assumptions

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

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

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Significant Accounting Judgements, Estimates and Assumptions (continued)

(b) Key sources of estimation, uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Actuarial liabilities of life policyholders' fund

The principles on which the valuation of the actuarial liabilities of life insurance contracts was determined by the Appointed Actuary having regard to the statutory requirements determined by BNM.

The actuarial valuation was carried out using a prospective cash flow method, known as gross premium valuation method. The policy liabilities are determined first by projecting future cash flows using realistic assumptions and then discounting these cash flow streams at appropriate interest rates. For participating policies, the policy liability includes provision for future payments arising for both guaranteed and non-guaranteed benefits. Additional provision may be required in the valuation assumptions to allow for any adverse deviation from the best estimate experience and to reflect the inherent uncertainty of the best estimate of the actuarial liabilities held.

The Company conducted a sensitivity analysis on the gross premium actuarial liabilities as at 31 December 2016, based on the change in one specific assumption while holding all other assumptions constant as disclosed in Note 30 to the financial statements.

2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective

The Company will apply the new standards, amendments to published standards and interpretations that are issued but not yet effective in the following financial years:

Financial year beginning on/after 1 January 2017

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses' clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective (continued)

<u>Financial year beginning on/after 1 January 2018</u>

- MFRS 9 'Financial Instruments' will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

  MFRS 9 introduces expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- Amendments to MFRS 140 'Transfer of Investment Properties' clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meet, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property.

  The amendments also clarify the same principle applies to assets under construction.

- MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective (continued)

Financial year beginning on/after 1 January 2018 (continued)

A new five-step process is applied before revenue can be recognised:

(i) identify contracts with customers;

(ii) identify the separate performance obligations;

(iii) determine the transaction price of the contract;

(iv) allocate the transaction price to each of the separate performance obligations; and

(v) recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

(i) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

(ii) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.

(iii) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

(iv) There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.

(v) As with any new standard, there are also increased disclosures.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective (continued)

Financial year beginning on/after 1 January 2019

- MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

Other than MFRS 9, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

The Company has yet to assess the full impact of MFRS 9 onto the Company’s accounting policies and will complete the process prior to the reporting requirement deadline.

3 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
Cost/Valuation									
At 1 January 2016	1,372	5,198	16,075	15,828	76,635	4,929	68,266	1,950	190,253
Additions	-	768	1,649	1,847	-	2,439	-	996	7,699
Disposals	(5)	-	-	-	-	-	-	-	(5)
Write-offs	-	(127)	(182)	-	-	-	-	-	(309)
Transferred to investment properties (Note 4)	-	-	-	-	411	(873)	162	(198)	(498)
Transferred to intangible assets (Note 5)	-	-	(7,179)	-	-	-	-	-	(7,179)
At 31 December 2016	1,367	5,839	10,363	17,675	77,046	6,495	68,428	2,748	189,961
Cost	1,367	5,839	10,363	17,675	-	-	-	-	35,244
Valuation	-	-	-	-	77,046	6,495	68,428	2,748	154,717
At 31 December 2016	1,367	5,839	10,363	17,675	77,046	6,495	68,428	2,748	189,961

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2016	535	3,050	9,817	12,306	-	-	-	-	25,708
Charge for the financial year (Note 21)	138	492	1,025	1,027	-	56	2,098	35	4,871
Disposals	(4)	-	-	-	-	-	-	-	(4)
Write-offs	-	(115)	(182)	-	-	-	-	-	(297)
Transferred to intangible assets (Note 5)	-	-	(3,545)	-	-	-	-	-	(3,545)
At 31 December 2016	669	3,427	7,115	13,333	-	56	2,098	35	26,733
Net book value									
At 31 December 2016	698	2,412	3,248	4,342	77,046	6,439	66,330	2,713	163,228

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles	Office equipment, furniture and fittings	Computer equipment	Renovation	Freehold land	Leasehold land	Freehold buildings	Leasehold buildings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation									
At 1 January 2015	1,371	4,936	11,190	15,828	47,743	3,257	88,286	2,355	174,966
Additions	150	420	4,983	-	-	-	-	-	5,553
Disposals	(149)	(1)	-	-	-	-	-	-	(150)
Write-offs	-	(157)	(98)	-	-	-	-	-	(255)
Transferred to investment properties (Note 4)	-	-	-	-	(405)	-	(249)	-	(654)
Revaluation surplus/(deficit) for the financial year	-	-	-	-	29,297	1,768	(14,346)	(307)	16,412
Elimination of accumulated depreciation arising from revaluation	-	-	-	-	-	(96)	(5,425)	(98)	(5,619)
At 31 December 2015	1,372	5,198	16,075	15,828	76,635	4,929	68,266	1,950	190,253
Cost	1,372	5,198	16,075	15,828	-	-	-	-	38,473
Valuation	-	-	-	-	76,635	4,929	68,266	1,950	151,780
At 31 December 2015	1,372	5,198	16,075	15,828	76,635	4,929	68,266	1,950	190,253

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Renovation RM'000	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2015	488	2,774	8,527	11,144	-	64	3,045	70	26,112
Charge for the financial year (Note 21)	115	427	1,387	1,162	-	32	2,380	28	5,531
Disposals	(68)	-	-	-	-	-	-	-	(68)
Write-offs	-	(151)	(97)	-	-	-	-	-	(248)
Elimination of accumulated depreciation arising from revaluation	-	-	-	-	-	(96)	(5,425)	(98)	(5,619)
At 31 December 2015	535	3,050	9,817	12,306	-	-	-	-	25,708
Net book value									
At 31 December 2015	837	2,148	6,258	3,522	76,635	4,929	68,266	1,950	164,545

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of revalued land and buildings, had these assets been carried at cost less accumulated depreciation is as follows:

	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
At 31 December 2016	15,351	3,102	58,304	2,409	79,166
At 31 December 2015	15,339	1,643	59,862	1,885	78,729

The fair value hierarchy of the self-occupied properties is as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2016				
Recurring fair value measurements				
- Freehold land	-	-	77,046	77,046
- Leasehold land	-	-	6,439	6,439
- Buildings	-	-	69,043	69,043
	-	-	152,528	152,528
At 31 December 2015				
Recurring fair value measurements				
- Freehold land	-	-	76,635	76,635
- Leasehold land	-	-	4,929	4,929
- Buildings	-	-	70,216	70,216
	-	-	151,780	151,780

The self-occupied properties of the Company were valued in 2015 by an independent professional valuer based on the properties' highest-and-best use using sales comparison approach. These registered as level 3 of the fair value measurement hierarchy. Under the sale comparison approach, the recent sales prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location and condition of the properties. The most significant input into this valuation approach is selling price per square foot.

Changes in market price per square foot by 5% will cause changes in the fair value of the self-occupied properties by RM7.7 million (2015: RM7.6 million).

4 INVESTMENT PROPERTIES

	RM'000
At 1 January 2016	138,149
Transferred from property, plant and equipment (Note 3)	498
Additions	1,290
Fair value changes for the financial year (Note 18)	9,662
At 31 December 2016	149,599
At 1 January 2015	127,657
Transferred from property, plant and equipment (Note 3)	654
Fair value changes for the financial year (Note 18)	9,838
At 31 December 2015	138,149

The fair value hierarchy of the investment properties is as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2016				
Recurring fair value measurements				
- Freehold land	-	-	92,773	92,773
- Leasehold land	-	-	7,196	7,196
- Buildings	-	-	49,630	49,630
	-	-	149,599	149,599
At 31 December 2015				
Recurring fair value measurements				
- Freehold land	-	-	111,159	111,159
- Leasehold land	-	-	5,722	5,722
- Buildings	-	-	21,268	21,268
	-	-	138,149	138,149

The investment properties of the Company were valued in 2016 by an independent professional valuer based on the properties' highest-and-best use using sales comparison approach at the date. These registered as level 3 of the fair value measurement hierarchy. Under the sale comparison approach, the recent sales prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location and condition of the properties. The most significant input into this valuation approach is selling price per square foot.

Changes in market price per square foot by 5% will cause changes in the fair value of the investment properties by RM7.5 million (2015: RM6.9 million).

4 INVESTMENT PROPERTIES (CONTINUED)

The rental income and direct operating expenses arising from investment properties that have been recognised in profit or loss during the financial year are as follows:

	2016 RM'000	2015 RM'000
Rental income	10,249	11,232
Direct operating expenses	(7,662)	(9,018)
	2,587	2,214

5 INTANGIBLE ASSETS

	Bancassurance fee RM'000	Computer software RM'000	Total RM'000
Net book value			
2016			
At 1 January 2016	100,997	7,935	108,932
Additions	-	14,769	14,769
Transferred from property, plant and equipment (Note 3)	-	3,634	3,634
Amortisation charged to profit or loss (Note 21)	(25,249)	(4,375)	(29,624)
At 31 December 2016	75,748	21,963	97,711
Cost	186,646	32,961	219,592
Accumulated amortisation	(110,898)	(10,998)	(121,881)
At 31 December 2016	75,748	21,963	97,711
2015			
At 1 January 2015	-	729	729
Additions	126,246	7,641	133,887
Amortisation charged to profit or loss (Note 21)	(25,249)	(435)	(25,684)
At 31 December 2015	100,997	7,935	108,932
Cost	186,646	11,013	197,659
Accumulated amortisation	(85,649)	(3,078)	(88,727)
At 31 December 2015	100,997	7,935	108,932

Included in the net book value of computer software, there are software under development phase amounting to RM1,103,000 as at 31 December 2016 (2015: RM5,862,000).

6 FINANCIAL INVESTMENTS

	2016 RM'000	2015 RM'000
Malaysian government securities	466,205	437,891
Malaysian government guaranteed bonds	1,139,612	1,013,741
Government investment issues	187,215	156,710
Corporate debt securities	2,830,186	2,722,157
Equity securities	1,520,166	1,478,722
Collective investment schemes	445,147	401,782
Investment-linked funds	2,778	5,349
Loans	508,383	522,434
Fixed and call deposits	-	17,899
	7,099,692	6,756,685

The Company's financial investments are summarised by the following categories:

AFS financial assets	5,016,202	4,705,320
FVTPL financial assets	643,610	543,507
HTM financial assets	931,497	967,525
Loans and receivables	508,383	540,333
	7,099,692	6,756,685

6a AFS FINANCIAL ASSETS

At fair value:

Malaysian government securities	185,004	181,167
Malaysian government guaranteed bonds	765,217	643,423
Government investment issues	90,344	79,522
Corporate debt securities	2,464,955	2,357,234
Equity securities	1,389,608	1,328,434
Collective investment schemes	118,296	110,191
Investment-linked funds	2,778	5,349
	5,016,202	4,705,320

Current	171,631	104,118
Non-current	4,844,571	4,601,202
	5,016,202	4,705,320

6 FINANCIAL INVESTMENTS (CONTINUED)

6b FVTPL FINANCIAL ASSETS

	2016 RM'000	2015 RM'000
At fair value:		
Malaysian government securities	49,569	-
Government investment issues	19,758	-
Corporate debt securities	116,874	101,628
Equity securities	130,558	150,288
Collective investment schemes	326,851	291,591
	643,610	543,507
Current	9,984	10,138
Non-current	633,626	533,369
	643,610	543,507

6c HTM FINANCIAL ASSETS

	2016 RM'000	2015 RM'000
At amortised cost:		
Malaysian government securities	231,632	256,724
Malaysian government guaranteed bonds	374,395	370,318
Government investment issues	77,113	77,188
Corporate debt securities	248,357	263,295
	931,497	967,525
Current	45,430	55,616
Non-current	886,067	911,909
	931,497	967,525
At fair value:		
Malaysian government securities	230,912	256,485
Malaysian government guaranteed bonds	371,558	364,775
Government investment issues	75,996	75,674
Corporate debt securities	251,463	268,389
	929,929	965,323

The fair values of HTM financial assets are their quoted prices on the stock exchanges or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristic.

6 FINANCIAL INVESTMENTS (CONTINUED)

6d LOANS AND RECEIVABLES

	2016 RM'000	2015 RM'000
At amortised cost:		
Secured:		
Policy loans	506,910	506,131
Mortgage loans	1,088	1,245
Other loans	385	643
Accrued interest income	-	14,415
Fixed and call deposits	-	17,899
	508,383	540,333

The carrying values of loans and receivables approximate the fair values at the date of the statement of financial position.

	2016 RM'000	2015 RM'000
Current	-	17,899
Non-current	508,383	522,434
	508,383	540,333

6 FINANCIAL INVESTMENTS (CONTINUED)

6e MOVEMENTS IN THE CARRYING VALUES OF FINANCIAL INSTRUMENTS

	AFS RM'000	FVTPL RM'000	HTM RM'000	LAR RM'000	Total RM'000
At 1 January 2015	4,332,857	480,329	796,390	579,054	6,188,630
Purchases	1,629,189	146,294	195,968	-	1,971,451
Maturities	(735,816)	-	(27,000)	-	(762,816)
Disposals	(452,658)	(109,386)	-	-	(562,044)
Decrease in loans	-	-	-	(11,950)	(11,950)
Decrease in fixed and call deposits	-	-	-	(26,101)	(26,101)
Movement of investment income accrued	3,516	187	1,898	(670)	4,931
Fair value (losses)/gains recorded in:					
Profit or loss (Note 18)	-	26,083	-	-	26,083
Other comprehensive income	(73,205)	-	-	-	(73,205)
Movement in impairment allowance (Note 18)	(3,949)	-	-	-	(3,949)
Amortisation adjustment (Note 16)	5,386	-	269	-	5,655
At 31 December 2015	4,705,320	543,507	967,525	540,333	6,756,685
Purchases	1,042,659	335,367	20,000	-	1,398,026
Maturities	(473,412)	(64,830)	(56,000)	-	(594,242)
Disposals	(298,076)	(192,963)	-	-	(491,039)
Increase in loans	-	-	-	364	364
Decrease in fixed and call deposits	-	-	-	(17,899)	(17,899)
Movement of investment income accrued	2,546	745	(387)	(14,415)	(11,511)
Fair value gains/(losses) recorded in:					
Profit or loss (Note 18)	-	21,784	(30)	-	21,754
Other comprehensive income	26,086	-	-	-	26,086
Movement in impairment allowance (Note 18)	5,211	-	-	-	5,211
Amortisation adjustment (Note 16)	5,868	-	389	-	6,257
At 31 December 2016	5,016,202	643,610	931,497	508,383	7,099,692

6 FINANCIAL INVESTMENTS (CONTINUED)

6f FAIR VALUES OF FINANCIAL INSTRUMENTS

The following tables show financial investments recorded at fair value analysed by the different basis of fair values as follows:

	AFS RM'000	FVTPL RM'000	HTM RM'000	Total RM'000
31 December 2016				
Level 1	1,429,133	130,558	-	1,559,691
Level 2	3,578,810	513,052	929,929	5,021,791
Level 3	8,259	-	-	8,259
	5,016,202	643,610	929,929	6,589,741
31 December 2015				
Level 1	1,364,849	150,288	-	1,515,137
Level 2	3,332,212	393,219	965,323	4,690,754
Level 3	8,259	-	-	8,259
	4,705,320	543,507	965,323	6,214,150

Level 1 financial instruments are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 financial instruments are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions that are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3 financial instruments are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

6 FINANCIAL INVESTMENTS (CONTINUED)

6f FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the changes in Level 3 instruments:

	AFS	
	2016	2015
	RM'000	RM'000
At the beginning of the financial year	8,259	7,402
Fair value gains recognised in other comprehensive income	-	857
At the end of the financial year	8,259	8,259

7 INSURANCE RECEIVABLES

	2016	2015
	RM'000	RM'000
Due premiums including agents/brokers balances	37,162	30,837
Due from reinsurers and cedants	9,375	2,703
	46,537	33,540
Accumulated impairment loss	(3,214)	(3,966)
	43,323	29,574

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

8 OTHER RECEIVABLES

	2016 RM'000	2015 RM'000
Amount due from related parties (Note 27)	258	184
Investment income receivable	2,843	7,332
Outstanding proceeds from sale of investments	1,068	1,873
Advance payment for purchases	-	4,787
Prepayment of expenses	183	58
Deposits	1,767	299
Others	1,519	246
	7,638	14,779
Accumulated impairment loss (Note 20)	(587)	-
	7,051	14,779

The carrying values of financial receivables disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

9 SHARE CAPITAL

	2016		2015	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Authorised ordinary shares of RM1.00 each:				
At the beginning and end of the financial year	500,000	500,000	500,000	500,000
Issued and fully paid up ordinary shares of RM1.00 each:				
At the beginning of the financial year	226,000	226,000	100,000	100,000
Increase during the financial year	-	-	126,000	126,000
At the end of the financial year	226,000	226,000	226,000	226,000

10 RETAINED EARNINGS

Under the single-tier system which came into effect from the year of assessment 2008 onwards, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system will be tax exempt in the hands of shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

11 INSURANCE CONTRACT LIABILITIES

	2016 Gross/net RM'000	2015 Gross/net RM'000
Life insurance contract liabilities	6,449,420	6,239,097

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

	2016 Gross/net RM'000	2015 Gross/net RM'000
Actuarial liabilities	5,382,259	5,069,132
Unallocated surplus	379,529	555,475
Provision for outstanding claims	86,810	61,322
Available-for-sale fair value adjustment	393,816	386,275
Asset revaluation surplus adjustment	31,413	29,771
Net asset value attributable to unitholders (Note 33)	175,593	137,122
	6,449,420	6,239,097

11 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross/net		
	With DPF RM'000	Without DPF RM'000	Total RM'000
At 1 January 2016	5,488,800	750,297	6,239,097
Premiums received	551,961	534,807	1,086,768
Liabilities paid for death, maturities, surrenders, benefits and claims	(622,918)	(247,109)	(870,027)
Net investment income	271,529	45,106	316,635
Benefits and claims experience variation	4,002	(75,255)	(71,253)
Fees deducted	(99,245)	(178,491)	(277,736)
Net other income	(4,611)	1,593	(3,018)
Adjustments due to changes in assumptions:			
Mortality/morbidity	-	2,258	2,258
Lapse and surrender rates	-	(474)	(474)
Expenses	-	(218)	(218)
Discount rate	73,343	7,708	81,051
Others	81,915	(360)	81,555
Movement in unallocated surplus	(175,946)	-	(175,946)
Available-for-sale fair value adjustment	7,541	-	7,541
Net asset value attributable to unitholders	-	6,057	6,057
Movement in provision for outstanding claims	16,823	8,665	25,488
Asset revaluation surplus adjustment	1,642	-	1,642
At 31 December 2016	5,594,836	854,584	6,449,420
At 1 January 2015	5,280,214	704,771	5,984,985
Premiums received	601,743	463,836	1,065,579
Liabilities paid for death, maturities, surrenders, benefits and claims	(479,034)	(221,294)	(700,328)
Net investment income	253,522	37,764	291,286
Benefits and claims experience variation	(24,819)	(90,270)	(115,089)
Fees deducted	(99,513)	(155,117)	(254,630)
Net other income	1,704	817	2,521
Adjustments due to changes in assumptions:			
Mortality/morbidity	-	5	5
Lapse and surrender rates	46,612	6,603	53,215
Expenses	3,931	77	4,008
Discount rate	-	(1,071)	(1,071)
Unit fund growth rate	-	2	2
Others	(1,442)	(550)	(1,992)
Movement in unallocated surplus	(42,895)	-	(42,895)
Available-for-sale fair value adjustment	(76,287)	-	(76,287)
Net asset value attributable to unitholders	-	9,914	9,914
Movement in provision for outstanding claims	12,701	(5,190)	7,511
Asset revaluation surplus adjustment	12,363	-	12,363
At 31 December 2015	5,488,800	750,297	6,239,097

12 INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Due to agents, brokers and insureds	135,569	134,004
Due to reinsurers and cedants	10,848	9,349
Cash bonus and interest outstanding	327,062	294,715
	473,479	438,068

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

13 OTHER PAYABLES

	2016 RM'000	2015 RM'000
Amount due to related parties (Note 27)	1,186	1,043
Outstanding payable on purchases of investment securities	563	572
Tenant deposits	3,243	3,259
Accrued expenses	38,091	16,205
Other payables	10,225	22,473
	53,308	43,552

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

14 PROVISION FOR AGENCY LONG ASSOCIATION BENEFITS

	2016 RM'000	2015 RM'000
At 1 January	27,884	27,566
Charged to profit or loss	4,227	4,970
Paid during the financial year	(4,625)	(4,652)
At 31 December	27,486	27,884
Payable within 12 months	7,630	6,250
Payable after 12 months	19,856	21,634
	27,486	27,884

15 DEFERRED TAX LIABILITIES

	2016 RM'000	2015 RM'000
At 1 January	129,160	116,007
Recognised in:		
Profit or loss (Note 22)	18,696	17,242
Other comprehensive income	(817)	(4,089)
At 31 December	147,039	129,160

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

15 DEFERRED TAX LIABILITIES (CONTINUED)

The following amounts, determined before and after appropriate offsetting, are shown in the statement of financial position:

	2016 RM'000	2015 RM'000
Deferred tax liabilities	147,039	129,160

	Unallocated surplus arising from non-DPF RM'000	Property, plant and equipment RM'000	Self-occupied properties RM'000	Investment properties RM'000	Financial investments RM'000	Total RM'000
At 1 January 2015	59,025	52	1,743	9,910	45,277	116,007
Recognised in:						
Profit or loss (Note 22)	16,917	362	(1,804)	(781)	2,548	17,242
Other comprehensive income	-	-	3,044	-	(7,133)	(4,089)
At 31 December 2015	75,942	414	2,983	9,129	40,692	129,160
Recognised in:						
Profit or loss (Note 22)	12,478	1,559	1,732	2,130	797	18,696
Other comprehensive income	-	-	(1,732)	-	915	(817)
At 31 December 2016	88,420	1,973	2,983	11,259	42,404	147,039

16 INVESTMENT INCOME

	2016 RM'000	2015 RM'000
Rental income from investment properties (Note 4)	2,587	2,214
FVTPL financial assets		
Interest	6,048	4,750
Dividend	3,725	4,497
AFS financial assets		
Interest	155,756	140,565
Dividend	45,040	44,091
Accretion of discounts – net (Note 6e)	5,868	5,386
HTM financial assets		
Interest	46,187	42,828
Accretion of discounts – net (Note 6e)	389	269
Interest from loans	34,500	36,494
Interest from fixed and call deposits	10,893	16,176
	310,993	297,270
Less: Investment expenses	(5,988)	(5,519)
	305,005	291,751

17 NET REALISED GAINS

	2016 RM'000	2015 RM'000
Realised gains/(losses):		
AFS financial assets		
- Equity securities	12,114	11,218
- Debt securities	1,712	828
- Other securities	(94)	-
	13,732	12,046
Loss on disposal of property, plant and equipment	-	(28)
	13,732	12,018

18 NET FAIR VALUE GAINS

	2016 RM'000	2015 RM'000
Investment properties – fair value (Note 4)	9,662	9,838
FVTPL financial assets (Note 6e)	21,784	26,083
Early redemption of HTM financial assets by issuers (Note 6e)	(30)	-
Write-back of impairment/(impairment) of AFS financial assets	5,211	(3,949)
	36,627	31,972

19 FEES AND COMMISSION INCOME

	2016 RM'000	2015 RM'000
Management service charges	48	196

20 OTHER OPERATING INCOME/(EXPENSES) - NET

	2016 RM'000	2015 RM'000
Write-back of impairment/(impairment loss) of insurance receivables	752	(2,544)
Write-offs of insurance receivables	(349)	-
Impairment loss of other receivables (Note 8)	(587)	-
Write-offs of property, plant and equipment	(12)	(7)
Realised net foreign exchange gain	5	390
Others	363	(344)
	172	(2,505)

21 MANAGEMENT EXPENSES

	2016 RM'000	2015 RM'000
Staff salaries and bonuses	51,164	44,558
Contribution to Employees' Provident Fund	8,867	5,837
Others	1,787	1,847
Staff costs	61,818	52,242
Non-Executive Directors		
- fees and other emoluments	423	208
Directors' remuneration (Note 27(iii))	423	208
Depreciation of property, plant and equipment (Note 3)	4,871	5,531
Amortisation of intangible assets (Note 5)	29,624	25,684
Auditors' remuneration		
- statutory audit	586	447
- other audit services	150	8
Printing and stationery	1,950	1,762
Postage, telephone and telex	1,481	1,553
EDP expenses	4,400	3,913
Advertising and marketing expenses	2,408	2,405
Rental of properties	399	401
Management fees	2,995	63
Training related expenses	2,059	1,869
Distribution related expenses	24,738	21,666
Others	17,652	16,049
	93,313	81,351
Total	155,554	133,801

Included in staff costs are the remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year which amounted to RM6.70 million (2015: RM3.72 million).

Certain Directors also received remunerations from related entities as full time employee.

21 MANAGEMENT EXPENSES (CONTINUED)

(i) The total remuneration of the Chief Executive Officer during the financial year is as follows:

	2016 RM'000	2015 RM'000
Salaries and other remuneration	2,070	1,588
Benefits-in-kind	40	33
Bonus	4,591*	2,099
	6,701	3,720

* Includes one-off payment of RM2,576,000 as retention-based payment for 5 years of service.

(ii) The details of remuneration of the Directors during the financial year are as follows:

	2016 RM'000	2015 RM'000
Non-Executive Directors:		
- Fees	405	198
- Other emoluments	18	10
	423	208

The number of Non-Executive Directors whose total remuneration received during the financial year that fall within the following bands are as follows:

	Number of Directors	
	2016	2015
Non-Executive Directors:		
RM50,000 & below	1	2
RM50,001 – RM100,000	1	2
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	1	-

22 TAXATION

	2016 RM'000	2015 RM'000
Current tax	25,789	25,703
Deferred tax (Note 15)	18,696	17,242
Taxation	44,485	42,945
Current tax		
Current financial year	29,797	25,896
Over-provision in prior financial years	(4,008)	(193)
	25,789	25,703
Deferred tax		
Origination and reversal of temporary differences (Note 15)	18,696	17,242
	44,485	42,945

The explanation of the relationship between taxation, and profit before taxation and change in insurance contract liabilities is as follows:

	2016 RM'000	2015 RM'000
Profit before taxation	119,850	135,600
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	28,764	33,900
Tax effects of:		
- Tax on investment income of policyholders' and unitholder funds	30,639	22,251
- Change in expected tax rate applied on temporary differences	(2,681)	(5,765)
- Expenses not deductible for tax purposes	562	165
- Section 110B tax credit	(1,760)	(1,359)
- Income not subject to tax	(7,031)	(6,055)
Over-provision of tax in prior financial years	(4,008)	(192)
	44,485	42,945

The tax expense of the Life Fund is based on the method prescribed under the Income Tax Act, 1967 for the life business, where the income tax in the Life Fund is calculated at 8% (2015: 8%) on investment income. The income tax for the Shareholders' Fund is calculated based on the tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

In 2008, the Ministry of Finance has gazetted an order on the allowance of income tax set-off/credit for the tax charged on the surplus transferred from the Life Fund to the Shareholders' Fund with effect from year of assessment 2008 under Section 110B of the Income Tax Act, 1967.

23 BASIC EARNING PER SHARE

The earnings per share has been calculated based on the net profit for the financial year of RM75,365,000 (2015: RM92,655,000) and the weighted average number of ordinary shares of the Company in issue during the financial year of 226,000,000 (2015: 197,003,000) shares.

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

24 DIVIDENDS PAID

No dividends have been paid or declared by the Company since the end of the previous financial year.

The Directors have not recommended any final dividend for the financial year ended 31 December 2016.

25 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	2016 RM'000	2015 RM'000
Authorised and contracted for:		
- Equipment	3,459	8,664
- Bancassurance fee	84,000	84,000
	87,459	92,664

26 OPERATING LEASE COMMITMENTS

	2016 RM'000	2015 RM'000
Commitments under non-cancellable operating leases where the Company is a lessee:		
Payable within one year	286	317
Payable after one year	624	579
	910	896
Commitments under non-cancellable operating leases where the Company is a lessor:		
Receivable within one year	6,510	8,672
Receivable after one year	1,487	4,851
	7,997	13,523

27 RELATED PARTY DISCLOSURES

The related parties of, and their relationship with the Company, are as follows:

	Country of incorporation	Relationship
Tokio Marine Holdings, Inc. ("TMH")	Japan	Ultimate holding corporation
Tokio Marine & Nichido Life Insurance Co., Ltd. ("TMNL")	Japan	Subsidiary of ultimate holding corporation
Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMNF")	Japan	Subsidiary of ultimate holding corporation
Tokio Marine Life Insurance Singapore Ltd. ("TMLIS")	Singapore	Holding corporation
Tokio Marine Asia Pte. Ltd. ("TMAP")	Singapore	Subsidiary of ultimate holding corporation
Tokio Marine Asset Management International Pte. Ltd. ("TMAMI")	Singapore	Subsidiary of ultimate holding corporation
Tokio Marine Insurans (Malaysia) Berhad ("TMIM")	Malaysia	Subsidiary of ultimate holding corporation
Key management personnel	-	Key management personnel includes the Directors, Chief Executive Officer ("CEO") and senior management who report directly to the CEO

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its holding and ultimate holding corporations and other corporations deemed related parties by virtue of them being members of Tokio Marine Holdings, Inc. group of corporations.

The related party balances as at the date of the statement of financial position and significant related party transactions arising from normal business transactions during the financial year are set out below.

(i) Related party balances

	2016 RM'000	2015 RM'000
Other receivables (Note 8)		
Amount due from TMH	10	10
Amount due from TMNL	-	21
Amount due from TMNF	7	23
Amount due from TMIM	241	130
	258	184
Other payables (Note 13)		
Amount due to TMAP	1,186	1,043

27 RELATED PARTY DISCLOSURES (CONTINUED)

(i) Related party balances (continued)

	2016 RM'000	2015 RM'000
Financial investments		
Investment in TMAMI's funds	294,976	262,938
Due to reinsurers and cedants		
Amount due to TMNL	186	169

(ii) Significant related party transactions

	2016 RM'000	2015 RM'000
Transactions with TMAMI:		
Cost of purchase of financial investments	(9,315)	(9,196)
Proceeds from disposal of financial investments	4,958	3,210
Transactions with TMIM:		
Management fee receivable	9	146
Premiums payable – Non-life insurance	(486)	(475)
Premiums receivable – Group insurance	336	316
Office rental received	326	326
Transactions with TMAP:		
Management fee payable	(1,465)	(1,296)
Transactions with TMNL:		
Reinsurance arrangements	(281)	(164)

(iii) Key management compensation

	2016 RM'000	2015 RM'000
Salaries and bonuses	12,737	9,806
Directors' remuneration (Note 21)	423	208
Contribution to Employees' Provident Fund	1,890	1,393
Other allowances	324	545
Benefits-in-kind	127	117
	15,501	12,069

28 RISK MANAGEMENT FRAMEWORK

The Company being a member of the Tokio Marine Holdings, Inc. Group of Companies takes into consideration the risk management philosophy and business strategy of Tokio Marine Group when managing the risk of the Company. The Company aims to assume risks that are consistent with maintaining its minimum internal capital target returns and supporting its business objectives. The Company is selective in its approach to risk taking, striking a balance between risk accepted and the reward it can derive from accepting that risk.

The Board of Directors is responsible for the overall establishment, supervision and review of all risk management processes in the Company. The Board is assisted by the Company's Risk Management and Compliance Committee in the identification, evaluation and assessment of risks in the Company.

The compositions, functions and the responsibilities of Risk Management and Compliance Committee are explained in the Directors' Report.

The Company's risk management strategy includes maintaining sound, robust and effective risk management processes which are appropriate to the nature, scale and complexity of the Company's life insurance business to safeguard the interests of Company's shareholders as well as to protect the Company's policyholders' interests. The risks are classified into broad categories to streamline the risk management processes and are not meant to be restrictive as to the risk identification and evaluation process.

The following are the three broad categories of risks faced by the Company:

A. Business Risks

Business risks arise from the Company's business strategy, the environment in which the Company operates, and its ability to provide suitable products and services to customers. The Company provides insurance protection against risks such as mortality and morbidity risks.

Within the business risks, insurance risk has significant impact on business results. Insurance risks arise with respect to the adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of a number of insurance risk drivers. This includes adverse mortality, longevity, morbidity, persistency and expense experience. The definition and management of insurance risks are explained in Note 30 to the financial statements.

The Company has in place various risk management techniques to control and optimise the Company's exposure to business risks in pursuit of the Company's business objectives. New risks are carefully assessed before they are considered for acceptance.

28 RISK MANAGEMENT FRAMEWORK (CONTINUED)

B. Financial Risks

Financial risks pertain to credit risks, liquidity risks and market risks. Credit risks is the risk of loss for the Company's business, or of adverse change in the financial situation resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event.

Liquidity risk refers to the possibility of the Company having insufficient cash resources to meet its financial obligations as they fall due under business as usual and stress scenarios.

The Company is exposed to market risk arising from its investment in debt securities, equities and properties. Changes in interest rates, foreign exchange rates, and equity prices will impact the financial position of the Company as any reaction to market changes will affect the present and future earnings of the Company for the life insurance operations and shareholders' equity.

The definition and management of financial risks are explained in Note 31 to the financial statements.

C. Operational Risks

Operational risks may arise from inadequate or failed internal processes and controls, from personnel and systems, or from external events such as sudden disasters crippling the operations of the Company. Such risks, although difficult to quantify, have the potential to impose significant costs upon, and possibly seriously upset, the financial soundness and ongoing business of the Company. Business continuity risks are the risks of not being able to resume normal business operations in view of disruption which include civil, economic, natural disasters, etc. Such risks may cause the Company to be unable to continue business as a going concern due to significant financial losses or the destruction of lives and infrastructures arising from natural catastrophes. The Company has put in place measures to control and minimise the Company's exposure to operational risks.

29 CAPITAL MANAGEMENT

The Company's capital management objective is to maintain a strong capital position with optimum buffer to meet obligations towards policyholders and to comply with the required capital requirements.

A. Investment Management

The investment portfolio of the Company which forms the largest asset pool is managed by an investment team through setting of investment policy and strategic asset allocation. The investment limits are set and monitored at various levels to ensure that all investment activities are within the guidelines set by the local statutory requirements governed by BNM.

B. Regulatory Capital Framework

Regulatory capital is the minimum amount of assets that must be held throughout the financial year to meet statutory solvency requirements governed under the RBC Framework. As part of the statutory requirements, the Company is required to provide its capital position on a quarterly basis to BNM.

The capital structure of the Company, consisting of all funds, 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)	9	226,000	226,000
Reserves, including retained earnings		1,896,495	1,887,272
Tier 2 Capital		427,582	414,412
Amount deducted from capital		(97,711)	(100,997)
Total capital available		2,452,366	2,426,687

The Company has met both the minimum and internal capital requirements specified in the RBC Framework for the financial year ended 2016 and 2015.

30 INSURANCE RISKS

The risk under any one life insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the estimate. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Stress testing on the financial condition is conducted regularly to assess its ability to withstand adverse deviations in various assumptions. A dynamic solvency testing is performed annually to monitor its solvency position.

Concentration of life insurance contract liabilities

The table below shows the concentration of life insurance contract liabilities (comprise actuarial liabilities, unallocated surplus, provision for outstanding claims and net asset value attributable to unitholders) by types of contract:

	Gross/net		
	With DPF	Without DPF	Total
	RM'000	RM'000	RM'000
31 December 2016			
Whole life	1,883,112	169,013	2,052,125
Endowment	3,188,890	47,628	3,236,518
Term-mortgage	-	318,207	318,207
Term-others	-	214,886	214,886
Medical and health	-	10,341	10,341
Riders	25,728	46,259	71,987
Other plans	71,877	48,250	120,127
Total	5,169,607	854,584	6,024,191
31 December 2015			
Whole life	1,719,427	134,116	1,853,543
Endowment	3,277,797	19,127	3,296,924
Term-mortgage	-	300,746	300,746
Term-others	-	201,094	201,094
Medical and health	-	10,058	10,058
Riders	20,667	49,163	69,830
Other plans	54,863	35,993	90,856
Total	5,072,754	750,297	5,823,051

There is no annuity business in force as at 31 December 2016 and 31 December 2015.

30 INSURANCE RISKS (CONTINUED)

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. All assumptions are reviewed and updated, if necessary, each financial year in order to value insurance contract liabilities that reflect the Company's experience. The assumptions are required to be on best estimate basis, where actual experience has equal chance of being better or worse than estimated.

(i) Mortality and morbidity

Mortality assumptions used are based on annual investigation into their respective mortality experience over the recent financial years, and are expressed as a percentage of a standard mortality table.

The morbidity assumptions for dread disease benefits are based on a percentage of the reinsurer's risk premium rates.

(ii) Lapse and surrender rates

Lapse and surrender assumptions are based on an annual investigation into their respective withdrawal experience over the recent financial years, and are expressed as rates of withdrawal, split by duration in-force.

(iii) Discount rate

For the participating business, discount rates used to value insurance contract liabilities is determined based on the best estimate investment returns.

To determine the best estimate investment returns, the Company has broken down the assets in the fund as at the reporting date into various asset classes, and has applied long term expected returns to each class. A weighted average rate of investment return is then derived by combining different proportions of the various asset classes.

Contract liabilities for non-participating business and guaranteed liabilities of the participating business are computed by discounting policy cash flows using risk-free interest rates. The risk-free rates used are derived from the gross yields to redemption of benchmark government securities as at the date of valuation.

30 INSURANCE RISKS (CONTINUED)

Sensitivities

The Company conducted a sensitivity analysis on the actuarial liabilities as at 31 December 2016, based on the change in one specific assumption while holding all other assumptions constant. Sensitivity information will also vary according to the current economic assumptions.

Assumption	Change in assumption	Impact on gross/net actuarial liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
31 December 2016				
Worsening of mortality/morbidity	+25%	127,444	(85,405)	(68,324)
Improvement in mortality/morbidity	−25%	(132,107)	85,726	68,580
Worsening of lapse and surrender rates	+25%	(31,804)	(13,877)	(11,102)
Improvement in lapse and surrender rates	−25%	39,087	14,511	11,608
Increase in discount rate	100 basis points upward shift	(319,548)	53,549	42,839
Decrease in discount rate	100 basis points downward shift	437,488	(63,928)	(51,142)
31 December 2015				
Worsening of mortality/morbidity	+25%	123,082	(79,423)	(63,539)
Improvement in mortality/morbidity	−25%	(128,098)	80,142	64,113
Worsening of lapse and surrender rates	+25%	(19,696)	(13,671)	(10,937)
Improvement in lapse and surrender rates	−25%	23,338	15,141	12,113
Increase in discount rate	100 basis points upward shift	(438,823)	44,890	35,912
Decrease in discount rate	100 basis points downward shift	530,116	(53,353)	(42,683)

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

31 FINANCIAL RISKS

The Company is exposed to a range of financial risks, including credit risk, liquidity risk and market risk.

Financial risks of investment-linked investment is not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the policyholders, and do not directly affect the profit before tax of the Company. Furthermore, investment-linked policyholders are responsible for allocation of the policy values amongst investment options offered by the Company. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Company's profit or loss, as the Company has selected the fair value option for all investment-linked investments with corresponding change in insurance contract liabilities for investment-linked contracts.

Credit Risk

The Company is exposed to credit risk through investments in cash, money market and debt instruments, lending activities and exposure to counterparty's credit in reinsurance contracts.

For all three types of exposures, financial loss may materialise as a result of default by the borrower or counterparty. For investments in cash, money market and debt instruments, financial loss may also materialise as a result of a default by the issuer on coupon payment or even the principal amount that causes a widening of credit spread or a downgrade of credit rating. The Company has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis by the management.

The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

The Company manages its lending activities by extending loans against collateral pledged to the Company. Regular monitoring and review of the payments of loans are performed by the Company to identify any non-performing loans. Any non-performing loan identified is communicated to the management. Appropriate actions will be taken for the possible course of recovery and provision of these loans.

There were no significant changes to the credit risk management of the Company.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

31 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets in accordance with the Company's credit ratings of counterparties:

	Neither past due nor impaired		Impaired	
	Investment grade (AAA to A-)	Not rated	Not rated	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2016				
AFS financial assets				
Equity securities	-	1,232,040	275,864	1,507,904
Debt securities	2,393,843	1,114,455	-	3,508,298
FVTPL financial assets				
Equity securities	-	457,409	-	457,409
Debt securities	116,874	69,327	-	186,201
HTM financial assets				
Debt securities	228,010	703,487	-	931,497
Loans and receivables				
Loans	-	508,383	-	508,383
Insurance receivables	-	43,323	-	43,323
Other receivables	-	7,051	-	7,051
Cash and cash equivalents	318,198	-	-	318,198
	3,056,925	4,135,475	275,864	7,468,264
31 December 2015				
AFS financial assets				
Equity securities	-	1,204,099	235,870	1,439,969
Debt securities	2,286,521	978,830	-	3,265,351
FVTPL financial assets				
Equity securities	-	441,879	-	441,879
Debt securities	101,628	-	-	101,628
HTM financial assets				
Debt securities	252,949	714,576	-	967,525
Loans and receivables				
Loans	-	522,434	-	522,434
Fixed and call deposits	17,899	-	-	17,899
Insurance receivables	-	29,574	-	29,574
Other receivables	-	14,779	-	14,779
Cash and cash equivalents	310,981	-	-	310,981
	2,969,978	3,906,171	235,870	7,112,019

31 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

The financial assets are classified according to the credit rating by rating agencies approved by BNM.

The financial assets which are not rated mainly comprise Malaysian government securities, companies listed on Bursa Malaysia Stock Exchange and loans. The companies were not rated as the issuer did not obtain any credit rating from the respective rating agencies. Such issues although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness is monitored on any downgrade news related to any investment in the debt portfolio.

The Company's loans receivable include policy loans, mortgage loans and other secured loans to staff and policyholders. Policy loans and mortgage loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The type of collaterals, held by the Company as lender, for which it is entitled to in the event of default is as follows:

	Type of collaterals	Carrying value 2016 RM'000	Carrying value 2015 RM'000
Policy loans	Cash surrender value	506,910	506,131
Mortgage loans	Properties	1,088	1,245
Secured loans	Computers	385	643
		508,383	508,019

As at 31 December 2016, the impairment provision of impaired insurance receivables of RM43.3 million is RM3.2 million (2015: RM4.0 million), the impaired provision of other receivables is RM0.6 million (2015: Nil), and impaired AFS financial assets of RM275.9 million is RM50.1 million (2015: RM55.3 million). Impairment of insurance receivables and other receivables are performed based on a collective assessment. No collateral is held as security for any impaired assets. The AFS financial assets that is subject to impairment is rigorously assessed as explained under Note 2.2(g)(ii) to the financial statements. The Company records impairment loss for insurance receivables, other receivables and AFS financial assets in separate provision accounts. A reconciliation of the allowance for impairment losses for insurance receivables, other receivables and AFS financial assets are as follows:

	Insurance receivables		Other receivables		AFS financial assets	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	3,966	1,422	-	-	55,292	51,343
(Decrease)/increase during the financial year	(752)	2,544	587	-	(5,211)	3,949
At 31 December	3,214	3,966	587	-	50,081	55,292

31 FINANCIAL RISKS (CONTINUED)

Liquidity Risk

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

The liquidity demands of the Company are met through ongoing operations which include continuous premium income and investment income. The expected liquidity needs are often met through projection of outflows from the in-force insurance policy contract liabilities; the liabilities include renewal commissions, claims and other benefits (maturity and surrender). Whilst the nature of these outflows is deemed to be largely stable and can be assumed at outset, the Company remains susceptible to exceptional experiences (surrender or catastrophic events) for its insurance portfolio. Also, the Company may be subject to unexpected liquidity tightening due to adverse implications from the wider economic factors (domestic or global) or undue volatilities and unexpected losses experienced within investments.

Liquidity risk is reduced by having insurance contract liabilities that are well diversified by product and policyholder. The Company designs insurance products to encourage policyholders to maintain their policies-in-force, thereby generating a diversified and stable flow of recurring premium income.

The Company adopts prudent liquidity risk management by monitoring daily liquidity and cash movements to ensure liquidity is available and cash is employed optimally. The Company has cash and cash equivalents of RM318.2 million as at 31 December 2016 (2015: RM311.0 million) to meet its liquidity requirements.

Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders. Expected liquidity demands are managed through a combination of treasury, investment and capital management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years. Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

31 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

Maturity profiles of financial assets

The table below summarises the maturity profile of the financial assets of the Company:

	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2016					
AFS financial assets	171,631	1,210,967	2,122,922	1,510,682	5,016,202
FVTPL financial assets	9,984	86,014	90,203	457,409	643,610
HTM financial assets	45,430	76,051	810,016	-	931,497
Loans and receivables	-	-	-	508,383	508,383
Insurance receivables	43,323	-	-	-	43,323
Other receivables	7,051	-	-	-	7,051
Cash and cash equivalents	318,198	-	-	-	318,198
Total financial assets	595,617	1,373,032	3,023,141	2,476,474	7,468,264
31 December 2015					
AFS financial assets	104,119	1,171,523	1,985,704	1,443,974	4,705,320
FVTPL financial assets	10,138	81,315	10,175	441,879	543,507
HTM financial assets	55,615	100,674	811,236	-	967,525
Loans and receivables	17,899	-	-	522,434	540,333
Insurance receivables	29,574	-	-	-	29,574
Other receivables	14,779	-	-	-	14,779
Cash and cash equivalents	310,981	-	-	-	310,981
Total financial assets	543,105	1,353,512	2,807,115	2,408,287	7,112,019

31 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

Maturity profiles of financial liabilities

The table below summarises the maturity profile of the financial liabilities of the Company:

	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
31 December 2016				
Insurance contract liabilities*:				
With DPF	386,910	1,407,544	3,375,153	5,169,607
Without DPF	248,664	37,191	568,729	854,584
Insurance payables	473,479	-	-	473,479
Other payables	53,308	-	-	53,308
Total financial liabilities	1,162,361	1,444,735	3,943,882	6,550,978
31 December 2015				
Insurance contract liabilities*:				
With DPF	417,263	1,309,724	3,345,768	5,072,755
Without DPF	189,680	33,087	527,529	750,296
Insurance payables	438,068	-	-	438,068
Other payables	43,552	-	-	43,552
Total financial liabilities	1,088,563	1,342,811	3,873,297	6,304,671

* Excluding available-for-sale fair value adjustment and asset revaluation surplus adjustment.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to 1 year" column. Repayments which are subject to notice are treated as if notice was to be given immediately.

31 FINANCIAL RISKS (CONTINUED)

Market Risk

(i) 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"). The Company is exposed to foreign exchange risk primarily from transactions denominated in foreign currencies such as Singapore Dollar ("SGD") and others pertaining to investment activities. The management manages foreign currency risk by setting limits and monitoring the exposure to foreign currency on a regular basis.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

Currency risk arising from investments in foreign currency instruments is generally not hedged as the Company's exposure is minimal.

The analysis below summarises the currency exposure of the Company.

31 December 2016				'000
	SGD	RM	Others	Total
Financial assets				
AFS financial assets	-	5,016,202	-	5,016,202
FVTPL financial assets	-	348,634	294,976	643,610
HTM financial assets	-	931,497	-	931,497
Loans and receivables	-	508,383	-	508,383
Insurance receivables	-	43,323	-	43,323
Other receivables	-	7,051	-	7,051
Cash and cash equivalents	-	318,198	-	318,198
	-	7,173,288	294,976	7,468,264
Financial liabilities				
Insurance contract liabilities*	-	6,024,191	-	6,024,191
Insurance payables	-	473,479	-	473,479
Other payables	-	53,308	-	53,308
	-	6,550,978	-	6,550,978

31 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(i) Currency Risk (continued)

31 December 2015				'000
	SGD	RM	Others	Total
Financial assets				
AFS financial assets	8,938	4,696,382	-	4,705,320
FVTPL financial assets	-	280,569	262,938	543,507
HTM financial assets	-	967,525	-	967,525
Loans and receivables	-	540,333	-	540,333
Insurance receivables	-	29,574	-	29,574
Other receivables	-	14,779	-	14,779
Cash and cash equivalents	-	310,981	-	310,981
	8,938	6,840,143	262,938	7,112,019
Financial liabilities				
Insurance contract liabilities*	-	5,823,051	-	5,823,051
Insurance payables	-	438,068	-	438,068
Other payables	-	43,552	-	43,552
	-	6,304,671	-	6,304,671

* Excluding available-for-sale fair value adjustment and asset revaluation surplus adjustment.

The potential impacts arising from currency risk are deemed insignificant. Accordingly, no sensitivity analysis is being disclosed.

31 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(ii) Interest Rate/Profit Yield Risk

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

A study of movement in risk-free rate is undertaken for the market. A 50 (2015: 50) basis point movement in the interest rate market is considered to be reasonable basis for interest rate sensitivity analysis. Investments in debt securities held-to-maturity are excluded as these are accounted for at amortised cost, and their carrying amounts are not sensitive to changes in the level of interest rates.

For investment-linked funds, the risk exposure to the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

The analysis below summarises the Company’s sensitivity analysis.

	Impact on insurance contract liabilities	Impact on profit before tax	Impact on equity
	RM’000	RM’000	RM’000
31 December 2016			
Change in variables			
+50 basis points	(72,588)	(879)	(20,274)
−50 basis points	76,387	907	21,384
31 December 2015			
Change in variables			
+50 basis points	(71,010)	(617)	(16,362)
−50 basis points	74,590	632	17,123

31 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(iii) Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), 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, principally investment in securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year, and has no significant concentration of price risk.

The analysis below summarises the Company's price risk analysis.

Market indices	Change in variables	Impact on insurance contract liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
31 December 2016				
Bursa Malaysia	+10%	142,997	8,172	10,641
Bursa Malaysia	−10%	(142,997)	(9,532)	(10,641)
31 December 2015				
Bursa Malaysia	+10%	139,361	5,007	7,717
Bursa Malaysia	−10%	(139,361)	(6,069)	(7,717)

32 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996. The Company's statement of financial position and statement of comprehensive income have been further analysed by funds which includes Life Fund and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Unit-linked products.

Statement of Financial Position by Funds as at 31 December 2016

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Property, plant and equipment	-	-	163,228	164,545	-	-	163,228	164,545
Investment properties	-	-	149,599	138,149	-	-	149,599	138,149
Intangible assets	-	-	97,711	108,932	-	-	97,711	108,932
Financial investments								
AFS financial assets	203,573	180,908	4,812,629	4,524,412	-	-	5,016,202	4,705,320
FVTPL financial assets	4,532	4,546	639,078	538,961	-	-	643,610	543,507
HTM financial assets	-	-	931,497	967,525	-	-	931,497	967,525
Loans and receivables	-	-	508,383	540,333	-	-	508,383	540,333
Tax recoverable	-	6,303	-	-	-	(6,303)	-	-
Insurance receivables	-	-	43,323	29,574	-	-	43,323	29,574
Other receivables	26,389	18,588	7,051	12,266	(26,389)	(16,075)	7,051	14,779
Cash and bank balances	6,404	7,392	311,794	303,589	-	-	318,198	310,981
TOTAL ASSETS	240,898	217,737	7,664,293	7,328,286	(26,389)	(22,378)	7,878,802	7,523,645

32 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2016 (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES								
Share capital	226,000	226,000	-	-	-	-	226,000	226,000
Retained earnings	13,676	(11,778)	479,678	429,767	-	-	493,354	417,989
Available-for-sale reserve	384	738	(920)	(5,172)	-	-	(536)	(4,434)
Asset revaluation reserve	-	-	2,889	2,799	-	-	2,889	2,799
TOTAL EQUITY	240,060	214,960	481,647	427,394	-	-	721,707	642,354
Insurance contract liabilities	-	-	6,449,420	6,239,097	-	-	6,449,420	6,239,097
Insurance payables	-	-	473,479	438,068	-	-	473,479	438,068
Other payables	-	136	79,697	59,491	(26,389)	(16,075)	53,308	43,552
Provision for agency long association benefits	-	-	27,486	27,884	-	-	27,486	27,884
Current tax liabilities	814	2,446	5,549	7,387	-	(6,303)	6,363	3,530
Deferred tax liabilities	24	195	147,015	128,965	-	-	147,039	129,160
TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES	838	2,777	7,182,646	6,900,892	(26,389)	(22,378)	7,157,095	6,881,291
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES	240,898	217,737	7,664,293	7,328,286	(26,389)	(22,378)	7,878,802	7,523,645

32 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the Financial Year ended 31 December 2016

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premium revenue	-	-	1,086,768	1,065,579	-	-	1,086,768	1,065,579
Premiums ceded to reinsurers	-	-	(73,134)	(52,212)	-	-	(73,134)	(52,212)
Net earned revenue	-	-	1,013,634	1,013,367	-	-	1,013,634	1,013,367
Investment income	8,883	7,285	296,122	284,466	-	-	305,005	291,751
Net realised gains	531	159	13,201	11,859	-	-	13,732	12,018
Net fair value (losses)/gains	(13)	(12)	36,640	31,984	-	-	36,627	31,972
Fee and commission income	-	-	48	196	-	-	48	196
Other income	9,401	7,432	346,011	328,505	-	-	355,412	335,937
Gross benefits and claims paid	-	-	(870,027)	(700,328)	-	-	(870,027)	(700,328)
Claims ceded to reinsurers	-	-	66,662	47,089	-	-	66,662	47,089
Gross/net change to insurance contract liabilities	-	-	(175,652)	(310,528)	-	-	(175,652)	(310,528)
Net insurance benefits and claims	-	-	(979,017)	(963,767)	-	-	(979,017)	(963,767)

32 INSURANCE FUNDS (CONTINUED)

Statement of Comprehensive Income by Funds for the Financial Year ended 31 December 2016 (continued)

	Shareholders' Fund		Life Fund		Inter-fund elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commission and agency expenses	-	-	(114,797)	(113,631)	-	-	(114,797)	(113,631)
Management expenses	(2,170)	(649)	(153,384)	(133,152)	-	-	(155,554)	(133,801)
Other operating income/(expenses) - net	3	-	169	(2,505)	-	-	172	(2,505)
Other expenses	(2,167)	(649)	(268,012)	(249,288)	-	-	(270,179)	(249,937)
Inter-fund transfer:								
From Life Fund to SHF	23,146	16,992	(23,146)	(16,992)	-	-	-	-
Profit before taxation	30,380	23,775	89,470	111,825	-	-	119,850	135,600
Taxation	(4,926)	(3,778)	(39,559)	(39,167)	-	-	(44,485)	(42,945)
Net profit for the financial year	25,454	19,997	49,911	72,658	-	-	75,365	92,655

33 INVESTMENT-LINKED FUND

The statement of financial position and statement of comprehensive income of investment-linked fund represent the assets, liabilities and net asset values of TokioMarine Orient Fund ("TMOF"), TokioMarine Enterprise Fund ("TMEF"), TokioMarine Bond Fund ("TMBF"), TokioMarine Dana Ikhtiar ("TMDI") and TokioMarine Luxury Fund ("TMLX"). The statement of financial position of the investment-linked fund is represented by:

	2016 RM'000	2015 RM'000
UNITHOLDERS' LIABILITIES		
At the beginning of the financial year	137,122	111,049
Creation of units	109,219	71,681
Cancellation of units	(76,805)	(55,522)
Net surplus for the financial year after taxation	6,057	9,914
At the end of the financial year (Note 11)	175,593	137,122

The statement of financial position has been adjusted for the following assets, liabilities and net asset value of TokioMarine Managed Fund ("TMMF") which have been eliminated as TMMF invested mainly in TMEF and TMBF during the financial year:

	2016 RM'000	2015 RM'000
ASSETS		
Investments in other linked funds of insurer	37,484	23,341
Cash and cash equivalents	1	-
Net asset value of TMMF	37,485	23,341

33 INVESTMENT-LINKED FUND (CONTINUED)

The statement of comprehensive income of Life Fund in Note 32 to the financial statements has been adjusted for the following income and expenditure of TMMF which have been eliminated as TMMF invested in TMEF and TMBF during the financial year:

	2016 RM'000	2015 RM'000
Net asset value of TMMF at the beginning of the financial year	23,341	19,669
Creation of units – included in gross earned premiums	26,593	12,443
Cancellation of units – included in gross benefits paid	(13,064)	(10,402)
	36,870	21,710
Realised gains on investments	537	864
Fair value gains on investments	83	770
Management expenses:		
Auditors' remuneration	(5)	(3)
Net profit for the financial year	615	1,631
Net asset value of TMMF at the end of the financial year	37,485	23,341

TOKIO MARINE
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Appendix to
FYE2016 Financial Statements

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INTERNAL CONTROL FRAMEWORK

Responsibility

The Board is responsible for the adequacy and integrity of the Company's risk management and internal control framework, including policies and procedures for compliance with applicable laws, regulations, rules, directives and guidelines. The framework is established to manage rather than eliminate risks and is designed to provide reasonable assurance against any occurrence of loss or non-compliances.

At the Board level, the responsibilities for the oversight of the risk management and internal control framework have been delegated to the Board Risk Management & Compliance Committee and Board Audit Committee. The responsibilities are clearly defined in the respective committees' Terms of Reference.

Authority & Responsibility

The Management Committee of the Company, led by the Chief Executive Officer, is responsible for implementation of the risk management and internal control framework. The Company has clearly defined lines of authority to supervise and monitor the business operations of the Company. Limits of authority have been established and approved by the Board. Various sub-committees have been formed to manage specific areas such as Asset & Liability Management, Claims, Underwriting, IT and Business Continuity. Roles and responsibilities for each committee are clearly defined in the respective committees' terms of reference.

Planning, Monitoring & Reporting

The Company undergoes a strategic planning and budgeting process to establish the annual business plan and performance targets which is recommended to the Board for approval. The Management Committee is responsible for ensuring the targets are met as well as adherence to established policies and procedures. Financial and operational reports are reviewed by the Management Committee on a monthly basis to allow timely response and actions to mitigate any potential risks. Reports are tabled and presented to the Board at least quarterly highlighting the performance of the Company as well as any updates on risk management, compliance and audit matters.

Policies & Procedures

Policies and procedures have been established to ensure adequacy of internal controls as well as compliance with relevant laws and regulations. These policies and procedures are reviewed periodically to ensure the documents continue to be updated and aligned with business strategies and processes. The effectiveness in implementation of the policies and procedures is regularly reviewed by the governance functions of the Company. Key policies that have been established for the purpose of governance include the Risk Management Framework and Compliance Policy.

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Three Lines of Defense

In accordance with the Company's Risk Management Framework, the Company uses the three lines of defense model to ensure the effectiveness of the risk management and internal control framework. The three lines of defense model provides clarity on roles and responsibilities as well as accountability in management of risk.

Line of Defense	Who?	Responsibilities
First Line	Risk taking units: • Senior Management • Business Units	• Day-to-day management of risks inherent in their business decisions and activities; and • Putting in place tools and techniques, including monitoring and reporting, for managing risks in their activities.
Second Line	Independent risk oversight and control units that oversee and review the first line's activities: • Risk Management • Compliance	Risk Management: • Responsible for developing the risk management framework, setting policies and methodologies for risk management process. Compliance: • Responsible for developing and implementing the compliance framework, policies and methodologies for managing compliance risk.
Third Line	Internal Audit	Responsible for providing the Board with independent assurance on the adequacy and effectiveness of risk management process of the first line and risk and compliance functions of the second line.

REMUNERATION POLICY

The Remuneration Policy forms a key component of the governance and incentive structure. This covers all the employees in the Company at the headquarter and branches.

The objectives of the Policy are to:
- serve as a guide for the performance assessment and compensation matters of the employee through which the Board ensures the remuneration is aligned with the culture, objectives and strategy of the Company;
- attract, develop and retain high performing and motivated employees.

The overall Remuneration Policy for the Company is set to:
- be in line with the business and risk strategies, corporate values and long-term interests of the Company;
- promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers; and
- take into account any input from the control functions and the Board Risk Management & Compliance Committee (RMCC) to ensure that risk exposures and risk outcomes are adequately considered.

At the start of the year, the Board reviews, considers and approves the Corporate Key Performance Indicators (KPI) and performance bonus pool for the year. The KPI is set by taking into account the business and risk strategies, long-term interest and corporate values of the Company and the performance bonus pool will depend on the actual achievement rate after the year concluded.

Subsequent to the Board's approval, the Chief Executive Officer (CEO) will cascade the KPI to the direct reports; who then cascade to their respective departments. The KPI shall be set in accordance to the level of accountability, roles and responsibilities of the individual employee.

After the financial year ended, the Management will present the performance of the Company against the Corporate KPIs set and the resulting performance bonus pool. Performance bonus is not guaranteed and shall be subject to the performance of the Company, the department and the individual employees. Staff is appraised against the KPIs set for them. Performance Bonus is linked to the contribution of the department and the individual staff to the overall performance of the Company.

To safeguard the independence and authority of individuals engaged in control functions, the remuneration of such individuals is based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines they oversee. KPIs of the Head of Internal Audit, the Head of Risk Management and the Head of Compliance are based on the functions' objectives.

The Company remunerate the staff in the form of cash where the components comprised of fixed salary and variable performance bonus. The variable performance bonus is not guaranteed and is subject to the performance of the Company, the department and the individual employee.

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The Company continues to review its Remuneration Policy on an ongoing basis taking into consideration current market practices as well as guidelines issued by the regulators.

As of 31 December 2016, the Company has eighteen (18) Senior Management members comprising of CEO and his direct reports. The quantitative remuneration disclosure for the Senior Management members for the financial year ended 31 December 2016 is shown in the table below. All the Senior Management members received variable remuneration for the financial year; none of the members receive any guaranteed bonus or severance payments and sign-on award of RM11,010 was awarded to a member during the financial year.

Total value of remuneration awards for the financial year 2016 (RM)		
	Unrestricted	**Deferred**
Fixed remuneration		
Cash-based	8,645,409	-
Shares and share-linked instruments	-	-
Other	-	-
Variable remuneration		
Cash-based	6,432,242 (*)	-
Shares and share-linked instruments	-	-
Other	-	-

* Includes one-off payment of RM2,576,000 to CEO as retention-based payment for 5 years of service. The quantitative remuneration disclosure for the CEO for the financial year 2016 is shown in Note 21(i) of the financial statement.

Remuneration for Directors

The quantitative remuneration disclosure for the Directors for the financial year 2016 is shown in the table below:

	Fees	Other emoluments	Total
	RM'000	RM'000	RM'000
At 31 December 2016			
Non-executive Directors			
- Tan Sri Dato' Dr Yahya Bin Awang	154	6	160
- Leong Kam Weng	129	6	135
- Chuah Sue Yin	80	4	84
- Yip Jian Lee	42	2	44
	405	18	423