BUILDING CONFIDENCE & TRUST

信心信任

2016 ANNUAL REPORT

Great Eastern
A member of the OCBC Group

Overseas Assurance Corporation (Malaysia) Berhad
A member of Great Eastern Holdings Limited

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (102249-P)
(Incorporated in Malaysia)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

1. Norman Ip (Chairman)
2. Tan Yam Pin
3. Khor Hock Seng
4. Y Bhg Datuk Kamaruddin Bin Taib
5. Y Bhg Dato' Albert Yeoh Beow Tit
6. Ng Hon Soon
7. Tan Fong Sang

SENIOR MANAGEMENT TEAM

Chief Executive Officer
Ng Kok Kheng

Chief Operations Officer
Lee Pooi Hor

Head, Corporate Distribution
Chong Kah Lay

Head, Claims Management
Goh Ching On

Head, Finance, Corporate & Administration
Khoo Sook Hooi

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

REGISTERED OFFICE

Level 20, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur

AUDITORS

Messrs Ernst & Young

BOARD OF DIRECTORS

NORMAN IP
CHAIRMAN

TAN YAM PIN

KHOR HOCK SENG

YBHG. DATUK KAMARUDDIN BIN TAIB

YBHG. DATO' ALBERT YEOH BEOW TIT

NG HON SOON

TAN FONG SANG

SENIOR MANAGEMENT TEAM

NG KOK KHENG
Chief Executive Officer

LEE POOI HOR
Chief Operations Officer

CHONG KAH LAY
Head, Corporate Distribution

GOH CHING ON
Head, Claims Management

KHOO SOOK HOOI
Head, Finance, Corporate & Administration

NG KOK KHENG
Chief Executive Officer

Our Customers Are Our Top Priority

At OACM, we remain committed to providing innovative solutions to meet the insurance needs of our customers and to buildinga collaborative workplace and high performance work culture.

CEO'S STATEMENT

A Steadfast Performance

In 2016, Overseas Assurance Corporation (Malaysia) Berhad continued to deliver a steadfast performance on the financial and operational fronts. Despite the year's challenging operating environment, we achieved RM430.2 million (S$ 137.7 million) in Gross Written Premiums.

Our fire class remained profitable and was the largest portfolio in our books at 30.2%, while our motor class at 23.2% continued its steady growth.

Our product diversification strategy continued to hold us in good stead, placing us among the highest in business diversification ratio in the general insurance industry in 2016. We will continue to focus on product diversification which will enable us to continue to remain resilient in the face of new challenges arising from the coming de-tariffication of the fire and motor classes.

Enhancing Customer Experience

Another area of focus was to improve customer experience, making it easier for our customers to engage with us. We identified opportunities and introduced initiatives to simplify processes which improved operational efficiency and customer experience.

New Auto-Renewal and Auto-Debit Features

In September 2016, we introduced an auto-renewal feature and auto-debit for our Personal Accident products, including the Centennial PA, Easi Shield, Lady Protector, Family Protector, Platinum PA, Junior Protector, Easi-Protector, Classic PA and Travel For More. These have enhanced turn-around-time, cost savings and improved the business renewal ratio.

Enhancements to the Claim Files Tracking System

A Claim Files Tracking System (CFS) was developed and integrated into our core PolisyM system. With this, claim files tracking can be done more accurately and more reliably within the core system. All branches will be able to access and find the location of the physical files using the new CFS.

Know Your Agent (KYA) Programme

To reduce the claims processing time for customers and ensure a seamless process for our agents, our Claims Department's Accident & Health team initiated the "Know Your Agent" (KYA) programme in the fourth quarter of 2016.

This has successfully improved claims turnaround time which has in turn boosted customers' trust and confidence in their respective agents which augurs well for our business.

Product Innovation for Business Growth

For the year in review, we launched several innovative products which provided better insurance protection for our customers.

TravelMate Online Travel Insurance

In September, we launched TravelMate, the first-ever online travel insurance product jointly by OACM and OCBC Bank. For a nominal additional premium, the customer can enjoy optional add-on benefits ranging from Golfer's Cover and Adventurous Activities Cover, to Medical Extension, Personal Liability & Rental Car Excess Cover as well as Home Contents Benefits.

Pos Malaysia Becomes a New Business Channel

During the year, we welcomed Pos Malaysia as a new business channel partner. We leveraged the extensive Pos Malaysia 700-branch network across the country to sell motor insurance policies and to grow this line of business. In tandem, two new personal accident products – POS Great Ride and POS Great Drive – were launched to complement motor insurance coverage. We will also be collaborating with POS Malaysia to carry out promotions on OACM products through banks' hire purchase loans.

Another initiative in the pipeline is the setting up of an on-line customer support system to more speedily address motor insurance enquiries received via email, online chat, and social media channels.

Key Corporate Events

OACM Bancassurance and OCBC Business Banking Convention

The third OACM/OCBC Business Banking Convention was held in Hanoi/Halong Bay from 8 to 11 April 2016. This convention served as a platform to recognise the dedicated efforts of the OCBC Business Banking Sales team for achieving the year's sales target.

Strengthening Agency Force Business Engagements

In addition to our Annual Agency Conference, two overseas and one local conference were held in Beijing, Medan and in Malaysia at the Sunway Convention Centre which was the first-ever National Agency Convention. The event themed "Glitz & Glamour" was a good platform to celebrate and recognise the achievements and successes of our top performers.

We also held two regional dialogues during which we obtained valued feedback on the agency business from our agency force. These sessions proved fruitful in providing opportunities to identify areas for improvementand foster greater team bonding.

Festive events were also organised at the branch and regional levels, including the Ho Yeah Chinese New Year get-together. Another successful event was the GIX PA Campaign to promote our enhanced agency system and auto-debit payment feature.

Movie Nite for Key Business Partners

The Broking and Banca team organised a Movie Nite event for Brokers and OCBC Bank which further boosted rapport and further build relationships with our key business partners.

CEO'S STATEMENT

Recognition of Longest Serving Agency

The Malaysia Book of Records (MBR) recognised Perniagaan Lee Eng Teh & Sons, an insurance agency under OACM, as "the longest serving insurance agency in Malaysia". The agency has been operating for more than 88 years, over three generations.

OACM is appreciative of the strong business partnership and support from the Lee family over the many years. Their steadfast loyalty and unwavering commitment to the Company is an excellent example of how agencies can grow and succeed with OACM.

Giving Back to the Community

We are committed to be a good corporate citizen and to giving back to society and helping those in need. We are particularly proud of our many employee volunteers who contributed their time and effort to all charity works organised by the Company. Their tireless efforts in reaching out to those in need have certainly helped to make a meaningful difference.

We also participated in CSR activities organised by Great Eastern in support of the ChildrenCare programme and also contributed to charity organisations. Visits were organised to the Ampang Old Folks Home where our staff spent time spreading cheer to the elderly.

Moving Forward

Detariffication allows insurers to adopt risk-based pricing on products for which premiums will be priced according to differentiated risk profiles of consumers. With the first phase of the liberalisation of motor insurance tariffs, we have enhanced our motor insurance package. In the next phase of our preparations, we will be investing in technology to build sophisticated pricing mechanisms to facilitate optimum pricing for our motor insurance plans.

As we move into a de-tariffed market, analytics will become a key competency in managing the insurance business. To date, we have acquired a software capability in the analytics and pricing domain while building up our human resource capability. By leveraging on active analytics and segmentation, we will continue to make advances in the motor insurance segment in which a few products were tailored to suit the needs of our customers.

The fire segment remains our most profitable portfolio. We have a reasonable share of this market and will continue to strengthen and defend our market position.

As market competition intensifies, the OACM team will work hard to strengthen our capabilities and implement business strategies that will best serve our stakeholders' interests and ensure we maintain our competitive edge.

We will continue to remain focused on the discipline execution of our strategies; to grow our business and tap new opportunities; to continue to offer a differentiated and compelling value proposition for our customers; to continue to deliver innovative products and professional advice from our distribution force; and to prudently manage risk and maximise operational efficiency. We aim to create good value for our various stakeholders.

To build a solid foundation for the future, we will continue to invest in our people. We will do this by reinforcing the importance of skills and resources training in our efforts to equip the agency force and employees with the knowledge to succeed in an increasingly competitive market. We are committed to being an employer of choice and to nurturing an engaging and dynamic environment to bring forth the best in our people.

In Appreciation

I would like to extend our sincere thanks to our customers for their continued loyalty, trust and support. To our agents, brokers and intermediaries, my deep gratitude for your loyal support, commitment and confidence in our Company.

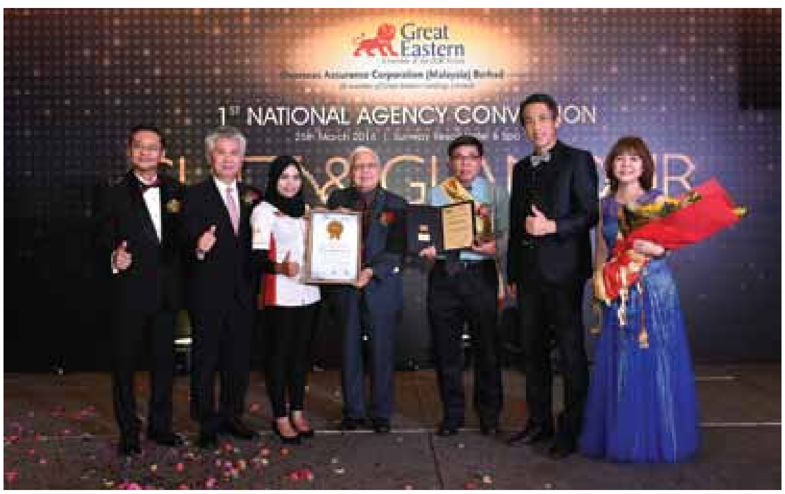
My heartfelt thanks also go to my colleagues and the Senior Management Team for their dedication, diligence and commitment to excellence. I also wish to express my sincere appreciation to OACM's distinguished Board of Directorsfor their wise counsel and guidance in steering us forward amidst the year's challenges.

Together, we will take OACM to new heights of success.

Ng Kok Kheng
Chief Executive Officer

CALENDAR OF EVENTS

21st Agency Conference,
Beijing, China
19 - 26/4/2016



Malaysia Book of Records
The Longest Serving Agency in Malaysia
25/3/2016

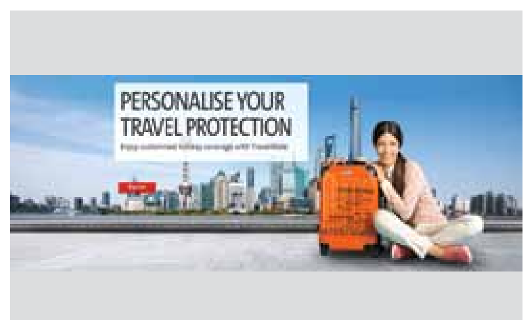
OAC / OCBC 3rd Banking Convention 2016
Vietnam
8 -11/4/2016

OACM

Overseas Assurance Corporation (Malaysia) Berhad

We provide protection and create solutions to ensure your general insurance needs are met. Teamwork divides the tasks and multiplies the success. Together we serve you better.

21st Agency Conference,
Medan, Indonesia
26 - 28/3/2016



Launching of TravelMate
26/9/2016

Visitation to Ampang Old Folk Home
13/4/2016

BRANCH NETWORK

HEAD OFFICE

Level 18, Menara Great Eastern 303, Jalan Ampang, 50450 Kuala Lumpur
Tel: +603 4259 7888 | **Fax:** +603 4813 0055 | **Customer Careline:** +603 4259 8900
E-Mail: enquiry@oac.com.my **Website:** www.oac.com.my

- Steven Tai Miow Chong - Head of Branch Distribution)
- Bong Young Choy - Regional Head (Kuala Lumpur, Klang, Seremban, Kuantan)
- Andrew Khoo Lay Keong - Regional Head (Alor Setar, Penang, Kota Bharu)
- Sebastian Lo Ming Kong - Regional Head (Kuching, Kota Kinabalu, Sibu)

ALOR SETAR
69 & 70, 1st Floor, Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Tel: +604 7346 515 | **Fax:** +604 7346 516
Manager: Adrian Choong Ewe Beng

JOHOR BAHRU
Suite 13A-1, Level 13A, Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Tel: +607 3348 988 | **Fax:** +607 3348 977
Manager: Gan Ai Ling

KOTA BHARU
No. S25/5252-S, Tingkat 1
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Tel: +609 7482 698 | **Fax:** +609 7448 533
Manager: Oong Eau Hong

KUANTAN
1st Floor, No. A25, Jalan Dato' Lim Hoe Lek
25200 Kuantan, Pahang
Tel: +609 5162 844 | **Fax:** +609 5162 848
Assistant Manager: Vivien Kok Yong Wei

KUCHING
No. 51, Level 3, Wisma Great Eastern
Lot 435, Section 54 KTLD
Travilion Commercial Centre
Jalan Padungan, 93100 Kuching, Sarawak
Tel: +6082 420 197 | **Fax:** +6082 248 072
Assistant Vice President: Sebastian Lo Ming Kong

PENANG
Suite 2-3, Level 2, Wisma Great Eastern
No. 25, Lebuh Light, 10200 Pulau Pinang
Tel: +604 2619 361 | **Fax:** +604 2619 058
Assistant Vice President: Ong Bee Pheng

SIBU
2nd Floor, No. 10 A-F, Wisma Great Eastern,
Persiaran Brooke, 96000 Sibu, Sarawak
Tel: +6084 328 392 | **Fax:** +6084 326 392
Manager: Helen Wong Mee Siong

IPOH
2nd Floor, Wisma Great Eastern
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30450 Ipoh, Perak
Tel: +605 2536 649 | **Fax:** +605 2553 066
Assistant Vice President: Jade Yeo Jiat Yee

KLANG
3rd Floor, No. 10, Jalan Tiara 2A
Bandar Baru Klang, 41150 Klang, Selangor
Tel: +603 3345 1027 | **Fax:** +603 3345 1029
Manager: Wong Siew Mun

KOTA KINABALU
Suite 6.3, Level 6, Wisma Great Eastern Life
No. 65, Jalan Gaya, 88000 Kota Kinabalu, Sabah
Tel: +6088 235 636 | **Fax:** +6088 248 879
Manager: Pauline Leong Chiu Kiak

KUALA LUMPUR
Level 18, Menara Great Eastern
303, Jalan Ampang, 50450 Kuala Lumpur
Tel: +603 4259 7888 | **Fax:** +603 4813 0088
Assistant Vice President: Ngai Chee Keong (KL1)
Assistant Vice President: Chow Chien Keong (KL2)

MELAKA
2-23, Jalan PM15
Plaza Mahkota, 75000 Melaka
Tel: +606 2843 297 | **Fax:** +606 2835 478
Manager: Jimmy Lee Chean Jern

SEREMBAN
103-2, Jalan Yam Tuan
70000 Seremban, Negeri Sembilan
Tel: +606 7649 082 | **Fax:** +606 7616 178
Assistant Vice President: Choo Kheng Men

SERVICING OFFICE

LOCATION	ADDRESS
BATU PAHAT	1st Floor, 109, Jalan Rahmat 83000 Batu Pahat, Johor **Tel:** +607 4322 357 I **Fax:** +607 4322 359
MIRI	3rd Floor, Lots 1260 & 1261, Block 10 M.C.L.D. Jalan Melayu, 98000 Miri, Sarawak **Tel:** +6085 421 299 I **Fax:** +6085 433 276
SANDAKAN	1st Floor, Lot 5 & 6, Block 40, Lorong Indah 15, Bandar Indah Phase 7, Mile 4, North Road, 90000 Sandakan, Sabah **Tel:** +6089 228 769 I **Fax:** +6089 228 372
TAWAU	3rd Floor, Wisma Great Eastern Jalan Billian, 91008 Tawau, Sabah **Tel:** +6089 755 882 I **Fax:** +6089 767 013
MENTAKAB	No. 61, 1st Floor, Jalan Orkid 28400 Mentakab, Pahang **Tel:** +609 270 9358 I **Fax:** +609 270 9359

FINANCIAL HIGHLIGHTS

	RM million					
	2011	2012	2013	2014	2015	2016
Gross Premium Income	329.07	372.43	384.37	409.14	449.00	430.21
Total Assets At Market Value:						
General Insurance	728.58	757.54	817.33	899.32	970.09	998.39
Shareholders' Fund	89.97	92.59	94.62	96.31	99.09	102.32
Underwriting Profit (before tax)	42.67	31.79	32.53	46.21	23.94	37.13
Net Profit (after tax)	53.68	54.04	53.03	57.03	43.43	54.63

ABOUT OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD

Overseas Assurance Corporation (Malaysia Berhad) ('OAC Malaysia') started operations in Kuala Lumpur in 1954 as a branch of the Overseas Assurance Corporation Limited, Singapore ('OAC Singapore'). OAC Malaysia's early focus was in general insurance but it expanded its life insurance business in 1963, making it one of the earliest composite insurers in Malaysia.

In 1998, the branch operations were restructured to become a locally incorporated subsidiary of OAC Singapore to comply with the requirements of the Malaysian Insurance Act 1996.

By 2000, OAC Malaysia was one of the largest providers of life, health and general insurance in Malaysia, serving a customer base of more than 500,000 policy owners with total assets exceeding RM2.5 billion. With the merger of OAC Singapore and Great Eastern Holdings Limited, Singapore in December 2000, OAC Malaysia's life insurance business was transferred to Great Eastern Life Assurance (Malaysia) Berhad in September 2001. Arising from this development, OAC Malaysia is now a pure general insurance operator that spearheads the Great Eastern Group's development and expansion in the general insurance sector.

OAC Malaysia had officially acquired the general insurance business of Tahan Insurance Malaysia Berhad ('Tahan') with effect from 1 January 2011. Following the acquisition. Tahan's entire general insurance business was transferred to OAC Malaysia.

As at 31 December 2016, OAC Malaysia has total assets in excess of RM 1,101 million with a paid-up capital of RM 100 million and a network of 13 branches with more than 3,000 agents.

BUILDING CONFIDENCE AND TRUST

At OAC Malaysia, building confidence and trust has always been the core. We put customers first by treating them as partners, fostering trust and respect through our unwavering commitment and uncompromising quality of service.

We have a proven track record of building confidence and trust that can be traced back to our humble beginnings more than 60 years ago. We have solid and lasting partnerships with some of the biggest names in Malaysian business, who bank on our comprehensive range of general insurance products and excellent customer service.

Trust comes with confidence. Our clients enjoy this confidence through our established corporate reputation and our affiliations with the Great Eastern and OCBC Group ('Group'). With the legacy of integrity professionalism, as well as the financial security and stability of the Group, OAC Malaysia is well positioned to continue its growth and expansion in years to come.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

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

RESULTS

	RM
Net profit for the year	54,625,478

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

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

DIVIDENDS

The amounts of dividend paid by the Company since 31 December 2015 were as follows:

	RM
In respect of the financial year ended 31 December 2015 as reported in the Directors' report of that year:	
Final single tier dividend of RM0.11 per ordinary share on 100,000,000 ordinary shares paid on 28 April 2016	11,000,000

At the forthcoming Annual General Meeting ("AGM") of the Company, a final single-tier dividend in respect of the financial year ended 31 December 2016 of RM0.30 per ordinary share on 100,000,000 ordinary shares, amounting to a dividend payable of RM30,000,000 will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as appropriation of retained earnings in the next financial year ending 31 December 2017.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Mr Norman Ip (Chairman)
Mr Tan Yam Pin (Appointed on 3 January 2017)
Mr Khor Hock Seng
Y Bhg Datuk Kamaruddin bin Taib (Appointed on 22 April 2016)
Y Bhg Dato' Yeoh Beow Tit
Y Bhg Dato Koh Yaw Hui (Stepped down on 20 January 2017)
Mr Ng Hon Soon
Madam Tan Fong Sang (Appointed on 10 March 2017)
Mr Lee Kong Yip (Stepped down on 20 March 2016)

In accordance with Article 76 of the Company's Constitution, Mr Ng Hon Soon and Y Bhg Dato' Yeoh Beow Tit would retire at the forthcoming AGM and, being eligible, offers themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Notes 22(b) and 29(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed under Fifth Schedule, Part 1 Section 3 of the Companies Act, 2016.

During the financial year, the amount of indemnity given or insurance effected for any Directors and officers of the Company is RM4,267,376.

ULTIMATE HOLDING COMPANY

The directors regard Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore, as the ultimate holding company of the Company.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, OCBC Bank during the financial year were as follows:

	Shareholdings in which Directors have a direct interest			
	1.1.2016	Acquired	Disposed	31.12.2016
a) Ordinary shares of OCBC Bank				
Mr Norman Ip	4,109	92	-	4,201
Mr Khor Hock Seng	18,662	122,859	-	141,521
Y Bhg Dato' Yeoh Beow Tit	378,766	34,140	(70,000)	342,906
Y Bhg Dato Koh Yaw Hui	175,391	24,249	(14,000)	185,640

	Shareholdings in which Directors are deemed to have an interest			
	1.1.2016	Granted	Vested	31.12.2016
Mr Khor Hock Seng	368,577	-	(122,859)	245,718(1)
Y Bhg Dato' Yeoh Beow Tit	29,961	-	(29,961)	-
Y Bhg Dato Koh Yaw Hui	40,045	21,648	(17,834)	43,859(2)

Notes:

(1) Deemed interest from Remuneration Trust to be released annually on 31 March 2016 to 2018.

(2) Comprises deemed interest in 36,700 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over 7,159 ordinary shares granted under the OCBC Employee Share Purchase Plan.

DIRECTORS' INTERESTS (CONT'D.)

	Options held by Directors in their own name					
	Expiry date	Exercise price S$	1.1.2016	Granted	Exercised	31.12.2016
b) Options to subscribe for ordinary shares of OCBC Bank						
Y Bhg Dato' Yeoh Beow Tit	13.3.2017	8.35	51,415	-	(26,000)	25,415
	13.3.2018	7.31	51,415	-	-	51,415
Y Bhg Dato Koh Yaw Hui	22.5.2016	6.40	10,000	-	(10,000)	-
	13.3.2017	8.35	20,566	-	(10,566)	10,000
	13.3.2018	7.31	25,707	-	(3,707)	22,000
	15.3.2019	4.02	20,566	-	(566)	20,000
	14.3.2020	8.52	41,132	-	(1,132)	40,000
	13.3.2021	9.09	37,813	-	-	37,813
	13.3.2022	8.56	86,387	-	(6,387)	80,000
	13.3.2023	10.02	191,161	-	-	191,161
	13.3.2024	9.17	123,277	-	-	123,277
	15.3.2025	10.38	29,608	-	-	29,608
	15.3.2026	8.81	-	32,533	-	32,533

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

CORPORATE GOVERNANCE DISCLOSURES

The Company has taken concerted steps to comply with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016. The Company is committed to the standards and practices prescribed in this policy document.

OTHER STATUTORY INFORMATION

(a) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and

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

(g) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance contract liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for insurers issued by BNM.

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

SUBSEQUENT EVENT

The subsequent event after the financial year is disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 22 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 March 2017.

Yeoh Beow Tit

Ng Hon Soon

CORPORATE GOVERNANCE DISCLOSURES *(as referred to in the Directors' Report)*

The Board of Directors (the "Board") and Management of Overseas Assurance Corporation (Malaysia) Berhad (the "Company") place great importance on high standards of corporate conduct and are committed to upholding values of integrity, honesty and proper corporate conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016 (the "CG PD") and is continually enhancing standards of the overall governance of the Company.

THE BOARD'S CONDUCT OF AFFAIRS

Board's responsibilities and accountability

The Board provides strategic directions to the Company and its principal roles and functions include the following:

(a) setting and overseeing the implementation of business and risk objectives, as well as strategies and in doing so, shall have regard to the long term viability of the Company and reasonable standards of fair dealing;

(b) approving the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;

(c) overseeing the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

(d) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer ("CEO"), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;

(e) ensuring that there is a reliable and transparent financial reporting process within the Company;

(f) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Board responsibilities and accountability (cont'd.)

(g) promoting, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;

(h) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

(i) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company;

The matters requiring Board approval include but are not limited to the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, dividend policy and dividend declaration, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.

Board Committees

The Board had established a number of Board committees ("Board Committees") to assist it in carrying out effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference.

The Company's Board Committees, in carrying out their responsibilities in accordance with their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of all Board Committees' meetings, which provide fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained, and are circulated to the Board on a regular basis.

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Meetings and Directors' Attendance

The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals of a significant nature. All members of the Board participated actively in Board discussions, and decisions are made objectively in the interests of the Company. The Board guided Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2016, the Board convened ten Board meetings comprising eight scheduled and two ad hoc Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association. Director who is unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for information.

All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings as stipulated in the CG PD and Board Charter.

The number of meetings of the Board and Board Committees held in 2016 and the attendance of the Director at those meetings are tabulated below:

Directors' attendance at Board and Board Committees' meetings in 2016

Name of Director	Board		Board Nominations and Remuneration Committee[6]	
	No. of Meetings[5]		No. of Meetings[7]	
	Held	Attended	Held	Attended
Mr Norman Ip[1]	10	10	13	13
Mr Khor Hock Seng[2]	8	7	9	8[12]
Y Bhg Datuk Kamaruddin bin Taib[3]	6	6	7	7[12]
Y Bhg Dato' Yeoh Beow Tit	10	10	13	13
Y Bhg Dato Koh Yaw Hui	10	10	13	11[13]
Mr Ng Hon Soon	10	10	13	13[12]

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Directors' attendance at Board and Board Committees' meetings in 2016 (cont'd.)

Name of Director	Board Audit Committee(8)		Board Risk Management Committee(10)	
	No. of Meetings(9)		No. of Meetings(11)	
	Held	Attended	Held	Attended
Mr Norman Ip	5	5	-	-
Mr Khor Hock Seng	4	3(13)	6	6(13)
Y Bhg Datuk Kamaruddin bin Taib	3	3(13)	5	5
Y Bhg Dato' Yeoh Beow Tit	5	5	7	7
Y Bhg Dato Koh Yaw Hui	5	5(13)	7	6(13)
Mr Ng Hon Soon(4)	5	5	7	7

Notes:

(1) Appointed as Chairman of Nominating Committee and Remuneration Committee on 1 June 2016.

(2) Appointed as Director and Member of Nominating Committee on 1 March 2016 and 1 June 2016 respectively.

(3) Appointed as Director and Member of Board Risk Committee on 22 April 2016. Appointed as Member of Remuneration Committee on 1 June 2016.

(4) Appointed as Chairman of Board Risk Committee on 1 June 2016.

(5) A total of 10 Board meetings were held in 2016.

(6) The Board Nominations and Remuneration Committee was established on 1 December 2016, it was formerly known as the Nominating Committee and Remuneration Committee respectively.

(7) A total of 8 and 5 Nominating Committee and Remuneration Committee meetings were held in 2016 respectively, prior to the establishment of the Board Nominations and Remuneration Committee.

THE BOARD'S CONDUCT OF AFFAIRS (CONT'D.)

Directors' attendance at Board and Board Committees' meetings in 2016 (cont'd.)

Notes: (cont'd.)

(8) The Audit Committee is known as Board Audit Committee effective from 1 December 2016.

(9) A total of 5 Audit Committee meetings (including 1 Joint Audit Committee - Board Risk Committee Meeting) were held in 2016, prior to the name change.

(10) The Board Risk Committee is known as Board Risk Management Committee effective from 1 December 2016.

(11) A total of 7 Board Risk Committee meetings were held in 2016.

(12) Attendance as Member/Invitee on combined basis.

(13) Attendance by Invitation.

(-) Not applicable to the Non-Member of the respective Board Committee.

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's present Board as at 31 December 2016 comprises six Directors with an Independent Chairman, Mr Norman Ip, four other Non-Executive Directors and one Executive Director.

Mr Khor Hock Seng was appointed to the Board on 1 March 2016 as a Non-Independent Non-Executive Director. He, being the Group CEO at the holding company level was then redesignated as Executive Director following the requirement of the CG PD effective 3 August 2016.

All appointments and re-appointments of Directors of the Company are subject to the approval of BNM.

BOARD COMPOSITION AND GUIDANCE (CONT'D.)

Board Membership (cont'd.)

The composition of the Board was as follows:

Members of the Board	Status of directorship
Mr Norman Ip, Chairman	Independent Director
Mr Tan Yam Pin	Independent Director
Mr Khor Hock Seng	Executive Director
Y Bhg Datuk Kamaruddin bin Taib	Independent Director
Y Bhg Dato' Yeoh Beow Tit	Non-Independent Non-Executive Director
Mr Ng Hon Soon	Independent Director
Madam Tan Fong Sang	Independent Director

Note:

(1) Mr Tan Yam Pin was appointed as an Independent Director and Chairman of the Board Nominations and Remuneration Committee on 3 January 2017.

(2) Y Bhg Dato Koh Yaw Hui had stepped down as an Executive Director on 20 January 2017.

(3) Madam Tan Fong Sang was appointed as an Independent Director and Member of the Board Audit Committee and Board Risk Management Committee on 10 March 2017.

Key Information on Directors

The key information on each Director is set out under the sections 'Board of Directors' and 'Further Information on Directors' of the Company's Annual Report[1]. The Directors' membership in the various Board Committees is set out herein. Directors' interests in shares and share options in the Company's ultimate parent company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the year ended 31 December 2016. The Directors do not hold any shares in the Company.

Board Composition and Independence

The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, an Independent Director of the Company is one who himself or any person linked to him is independent from management, the substantial shareholders of the Company or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates within the last two years; and has not served for more than nine years on the Board[2].

1 Available at the Company's website.

2 CG PD provide for tenure limits of independent directors to generally not exceed nine years except under exceptional circumstances or as part of the transitional arrangement.

BOARD COMPOSITION AND GUIDANCE (CONT'D.)

Board Composition and Independence (cont'd.)

At least half of the Company's Board composition is required to consist of Independent Directors[3]. The Board Nominations and Remuneration Committee determines annually whether a Director is independent. Taking into consideration the definition of "independence" of a Director under the CG PD, the Board Nominations and Remuneration Committee has determined that the Company's Independent Directors are currently Mr Norman Ip, Mr Tan Yam Pin, Y Bhg Datuk Kamaruddin bin Taib, Mr Ng Hon Soon and Madam Tan Fong Sang.

In 2017, BNM had redesignated Y Bhg Dato' Yeoh Beow Tit as Non-Independent Non-Executive Director as he has served for more than nine years on the Board.

The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company.

The Board members of the Company are from diverse backgrounds and qualifications and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

With the knowledge, objectivity and balance contributed by the Non-Executive Directors, they constructively challenge and help develop proposals on strategy and review the performance of Management against agreed goals and objectives and monitor their performance.

CHAIRMAN AND CEO

The roles of the Chairman[4], Mr Norman Ip and the CEO, Mr Ng Kok Kheng are distinct and separate, with clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Chairman and the CEO are not related to each other.

3 *Transitional arrangements are allowed for Independent Directors to make up at least half of the board membership by 3 August 2019 and Independent Directors to make up a majority of the board membership by 3 August 2021.*

4 *The roles and responsibilities of the Chairman are stipulated under Para 9.1 of the CG PD.*

CHAIRMAN AND CEO (CONT'D.)

The principal responsibilities of the Chairman include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Executive and Non-Executive Directors, as well as between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management. He also leads efforts to address the Board's developmental needs.

The CEO[5] manages the Company and oversees the Company's operations and implementation of the Company's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company's businesses, including implementing the Board's decisions, is carried out with the assistance of the Senior Officers ("SOs") of the Company. He is primarily responsible for the day-to-day operations and administration of the Company, ensuring inter alia, operational and organisational efficiency, profitable performance, regulatory compliance, good corporate governance and effective risk management.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

The Board Nominations and Remuneration Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Nominations and Remuneration Committee comprises the following Directors:

- Mr Tan Yam Pin, Chairman
- Mr Norman Ip, Member
- Y Bhg Datuk Kamaruddin bin Taib, Member
- Y Bhg Dato' Yeoh Beow Tit, Member
- Mr Ng Hon Soon, Member

The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. The Board Nominations and Remuneration Committee is responsible for identifying candidates, reviewing and recommending nominations and/or re-appointment of Directors and CEO. It also reviews nominations and makes recommendations to the Board for Senior Officer positions in the Company.

5 The responsibilities of the CEO are stipulated under Item 16.1 of the CG PD.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment of new Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Board Nominations and Remuneration Committee. The Board Nominations and Remuneration Committee meets with the candidates to assess their suitability and commitment. Competent individuals are nominated for Board approval after the Board Nominations and Remuneration Committee has assessed their suitability taking into consideration, amongst others, their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

In addition, the Board Nominations and Remuneration Committee further determines the proposed candidate's independence status under the CG PD, and ensures that the proposed candidate would satisfy the criteria under the CG PD in that his appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he is fit and proper for the position. The Company's Independent Director is one who is independent or any person linked to him is independent from Management, business relationships and substantial shareholder of the Company or any of its affiliates, and has not served on the Board for a continuous period of nine years or longer.

The Board Nominations and Remuneration Committee held a total of thirteen meetings on a combined basis in 2016.

Re-appointment of Directors

All Directors subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or by rotation at the Annual General Meeting of the Company pursuant to the Articles of Association, where applicable. The Board Nominations and Remuneration Committee is also responsible to recommend the re-appointment and/or re-election of Directors to the Board, taking into account the comprehensive evaluation of the Directors in addition to the Directors' attendance at meetings, their expertise, knowledge, commitment, and contributions to Board discussions and to the overall effectiveness of the Board.

Board Orientation and Training

A formal appointment letter will be issued to every new Director. Newly-appointed Directors will be apprised of their statutory duties and obligations and issued with a Director's orientation kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Board Orientation and Training (cont'd.)

As part of the induction programme for new Directors, the Senior Management will brief new Directors on the Company's principal activities and the induction programme will be tailored to the specific development needs of the new Directors. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Company.

The Board Nominations and Remuneration Committee ensures there is a continuous professional development programme for all Directors, to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry and provides updates on developments in the industry locally. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Directors may also attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE Forum, where relevant. The Company has dedicated sufficient resources towards the on-going development of its directors.

During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organized by professional bodies and regulatory authorities as well as those conducted in-house, included the following:

- FIDE FORUM Industry Briefing
- Leaders Room Talk by David Nour
- Dialogue with SMT of BNM – Focus Group 2 (For Insurance, Takaful, Reinsurance Businesses)
- Cyber-Risk Oversight by Mr David Leach
- Briefing Session on BNM Annual Report 2015 / Financial Stability and Payment System Report 2015
- 3rd BNM – FIDE FORUM Annual Dialogue with the Governor of BNM
- BNM – FIDE FORUM Dialogue with the Deputy Governor of BNM on the Corporate Governance Paper
- Responsible Financial Summit 2016
- Launch of Directors Register
- Internal Capital Adequacy Assessment Process (ICAAP) Insurance

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONT'D.)

Board Orientation and Training (cont'd.)

- FIDE FORUM: 2nd Distinguished Board Leadership – "Avoiding Financial Myopia"
- FIDE FORUM's Director Register: "Identify the Right Board Talent"
- FIDE Elective Programme: Cybersecurity Programme – Understanding the Evolving Cybersecurity Landscape
- Future Finance Conference at BNM
- Securities Commission – FIDE FORUM Dialogue: FinTech's Impact on Financial Institutions
- The Evolving Role of Audit Committee in Governance, Risk & Control Forum
- Omniboard Training for Directors
- Discussion on BNM Concept Paper on Corporate Governance
- Board Educational Series: An Overview of Reserving
- Board Educational Series: Project Asset Liability Management / Investment Management / Fund Transfer Pricing & Discussion on 2017 Strategic Asset Allocation

BOARD PERFORMANCE

The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Company has established guidelines on meeting attendance and the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than four listed companies and fifteen unlisted companies, while a Director who does not have any full-time employment shall have appointments in no more than seven listed companies and fifteen unlisted companies. The Board Nominations and Remuneration Committee annually assesses each Director's attendance record and degree of participation at meetings.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD PERFORMANCE (CONT'D.)

Senior Management Appointment and Performance

The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversees the appointment and succession planning of the SOs of the Company.

The Board Nominations and Remuneration Committee is responsible to oversee performance evaluation of CEO and SOs. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the CEO and SOs would be made in consultation with the input from the Chairman of the Board Audit Committee and Board Risk Management Committee.

The Board Nominations and Remuneration Committee is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The Board Nominations and Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors and SOs and Non-SOs.

The Board Nominations and Remuneration Committee is responsible to recommend to the Board Policy on Remuneration for Directors, CEO and SOs. The Board Nominations and Remuneration Committee is charged with the responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, the CEO and SOs. This will ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are not excessive and consistent with the prudent management of the Company's affairs.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONT'D.)

Remuneration of Non-Executive Directors

The Non-Executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at and frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his own remuneration.

The Board Nominations and Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting.

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the financial year ended 31 December 2016 ("FY2016") as that used in the previous financial year:

		Annual Retainer
Board	Chairman Member	RM32,000 RM16,000
Board Committees	<u>Chairman:</u> • Board Audit Committee • Board Risk Management Committee	RM18,000
	Chairman: • Board Nominations and Remuneration Committee	RM15,000[(1)]
	Member: • Board Audit Committee • Board Risk Management Committee	RM9,000
	Member: • Board Nominations and Remuneration Committee	RM9,000[(1)]
Attendance fees per Board or Board Committee meeting		RM1,400

Note:

(1) The amount was combined for FY2016.

The attendance fee is paid to Non-Executive Directors to recognise their commitment, contribution, and time spent in attending meetings.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONT'D.)

Disclosure of Directors' and CEO's Remuneration

The total Directors' Remuneration from the Company in respect of FY2016 is shown under Note 22(b) in the Company's financial statements. Fees for Non-Executive Directors totaling RM404,525 in respect of FY2016 will be approved at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2016 are disclosed under Note 22(b) & 22(c) in the Company's financial statements.

Remuneration policy in respect of executive Director and Officers of the Company

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel. The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.

The remuneration of the CEO and the respective SOs of the Company are reviewed annually by the Board Nominations and Remuneration Committee, based on the overall remuneration framework approved by the Board. SOs comprises the Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are five identified SOs.

In another key segment of officers, Other Material Risk Taker (OMRT) in the Company has been identified as an officer who is not a member of senior management who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on its risk profile. There is one identified OMRT who is subject to risk control KPI and risk adjusted variable compensation commencing from 2017.

The basic component of the remuneration package comprises a monthly basic salary. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Board Nominations and Remuneration Committee and the Board. Such components comprise a performance-based variable bonus and long-term incentives, which are generally paid/awarded once a year. SOs are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONT'D.)

Remuneration policy in respect of executive Director and Officers of the Company (cont'd.)

In awarding long-term incentives, including the grant of share options to the SOs, the Board Nominations and Remuneration Committee also takes into account their potential for future development and contribution to the Company.

In such annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration commensurate with individual performance and contribution. The Board Nominations and Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be finalised over short periods when risks are realised over long periods.

The annual budget for salary increment, performance-related variable bonus and long-term incentives, reviewed by the Board Nominations and Remuneration Committee is submitted to the Board for approval. The competitiveness of the Company's compensation structure is reviewed annually relative to a peer group of companies that is considered to be relevant for compensation purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustain business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

In collaboration with the Board Nominations and Remuneration Committee, the Company Remuneration Practice Guide is designed taking into account regulatory requirements, from time to time, with the input from the Senior Management. The Remuneration Practice Guide is independently reviewed by the Internal Audit and Risk Management & Compliance Teams. The Board Risk Management Committee may with the assistance of Risk Management Team assess how the remuneration practice guide affects the Company's risk profile.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONT'D.)

Remuneration policy in respect of executive Director and Officers of the Company (cont'd.)

The Company's variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 and awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Group.

Details of the remuneration granted to the eligible executives are disclosed in the financial statements. Further details of the above share options scheme and share plan are set out in Note 29(b) of the Notes to the Financial Statements. A significant proportion of a SOs' compensation may be deferred under deferral arrangements over a period of years and the deferred amount increases with the seniority/rank and bonus amount.

ACCESS TO INFORMATION

The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. In respect of matters for approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The Senior Management who can provide additional information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board and Board Committee members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

Directors have separate and independent access to the Company Secretary and to Senior Management of the Company at all times.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONT'D.)

ACCESS TO INFORMATION (CONT'D.)

The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good information flows within the Board and Board Committees and between Senior Management and Non-Executive Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of Company Secretary is considered to be a matter for the Board as a whole.

The Director may take independent professional advice as and when necessary to enable them to discharge their duties effectively, at the expense of the Company. Similarly, the Board and each Board Committee may obtain the professional advice that it requires to assist in its work.

BOARD AUDIT COMMITTEE

The Board Audit Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Audit Committee comprises the following Directors:

- Y Bhg Datuk Kamaruddin bin Taib, Chairman
- Y Bhg Dato' Yeoh Beow Tit, Member
- Madam Tan Fong Sang, Member

(Mr Norman Ip relinquished his membership on 10 March 2017.)

Members of the Board Audit Committee are appropriately qualified to discharge their responsibilities. In particular, Mr Norman Ip has relevant accounting and auditing experience and all the Board Audit Committee members have financial management knowledge and experience. The Board Audit Committee members keep abreast of relevant changes through regular updates from the external auditor on changes to accounting standards and issues which have a direct impact on the financial statements. The Board Audit Committee carries out functions as specified in the Companies Act 1965, Financial Services Act 2013, BNM's Policy Documents and other relevant guidelines and regulations.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD AUDIT COMMITTEE (CONT'D.)

The Board Audit Committee has explicit authority to investigate any matters within its terms of reference and has full co-operation of and access to Management. The Board Audit Committee has full discretion to invite any Director or Senior Management to attend its meetings. It has resources to enable it to discharge its function properly.

The Board Audit Committee held a total of five meetings in 2016, and its members' attendance at these meetings is disclosed in herein. The Board Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain Senior Management, including the Group Chief Financial Officer and Head Group Internal Audit.

The functions performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2016 included the following:

(a) Reviewed with the Internal Auditors:

(i) their audit plans, their evaluation of the system of internal controls and their audit reports;

(ii) the scope and results of the internal audits; and

(iii) the assistance given by the officers of the Company to the internal auditors.

(b) Reviewed with the External Auditors:

(i) their audit plans prior to the commencement of the annual audit;

(ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;

(iii) the scope and results of the audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them (if any);

(iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Management Team;

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD AUDIT COMMITTEE (CONT'D.)

(b) Reviewed with the External Auditors: (cont'd.)

(v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and

(vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.

(c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.

(d) Maintained an appropriate relationship with both the external auditors and internal auditors, and met at least annually with the Management, external auditors and internal auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately.

(e) Reviewed the outsourced servicing fee relating to internal audit.

(f) Made recommendation to the Board on the re-appointment of the external auditor and their remuneration and terms of engagement.

(g) Review and update the Board on all related-party transactions. In addition, to review the write-off of material and special related-party transaction and recommend them to the Board for approval.

(h) Monitored compliance with the Directors' Conflict of Interest Guide.

The Company has instituted a whistle-blowing policy whereby staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistle-blowing policy which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic review of the effectiveness of the policy.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

BOARD AUDIT COMMITTEE (CONT'D.)

The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflict of interest are excluded from the approval process of granting and managing related party transactions. Material related party transactions are reported to the Board Audit Committee for review and to the Board for approval. Details of the Company's related party transactions during FY2016 are set out in Note 29 of the Notes to the Financial Statements.

The Company has processes in place to address the Directors' actual and/or potential conflicts of interest for transactions with the Company.

The Board Audit Committee, in performing its functions, met at least annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately. The auditors, both internal and external, have unrestricted access to the Board Audit Committee, and to information and such persons within the Company as necessary to conduct the audit.

INTERNAL AUDIT

The Company utilises the outsourced services of the Internal Audit Department of Great Eastern Life Assurance (Malaysia) Berhad ("GELM"), which assists the Audit Committee in discharging its duties and responsibilities. The internal audit function ("Internal Audit") serves to provide the Board and Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Management. The Internal Audit Charter is approved by the Board Audit Committee. Internal Audit is independent of the activities it audits.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONT'D.)

INTERNAL AUDIT (CONT'D.)

Internal Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, which include financial, strategic, reputational, operational, technology, legal and regulatory risks. The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Company's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring that significant financial, managerial and operating information is accurate, reliable and timely, operations and programs are effective and efficient, and assets are safeguarded. Reviews conducted by Internal Audit also focus on the Company's compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Risk Management Committee comprises the following Directors:

- Mr Ng Hon Soon, Chairman
- Y Bhg Dato' Yeoh Beow Tit, Member
- Madam Tan Fong Sang, Member

(Y Bhg Datuk Kamaruddin bin Taib relinquished his membership on 10 March 2017.)

The Board Risk Management Committee is responsible for the oversight of market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company.

BOARD RISK MANAGEMENT COMMITTEE (CONT'D.)

The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. Such terms of reference include the review and endorsement or review and approval of (where applicable) frameworks, policies, charters and strategies for effective risk management, investment management and asset-liability management. The terms of reference also include the review of major risk management initiatives, significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Board Risk Management Committee oversees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.

The Board Risk Management Committee reviewed the services of the outsourced function and outsourced servicing fee relating to risk management and compliance.

The Company engages the services of the Risk Management and Compliance Department of GELM in discharging its duties and responsibilities, which are adequately resourced with experienced and qualified employees who are sufficiently independent to perform their duties objectively. They regularly engage Senior Management to develop enterprise-wide risk controls and risk mitigation procedures.

The Board Risk Management Committee held a total of seven meetings in 2016.

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Notes to the Financial Statements.

INTERNAL CONTROL FRAMEWORK

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective and efficient operations, risk management and internal controls, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and the stakeholders' interests.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, it is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

INTERNAL CONTROL FRAMEWORK (CONT'D.)

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their systems of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

Infrastructure

While the Board is ultimately responsible for the management of risks within the Company, several risk oversight committees have been established over the years to facilitate in depth review of the risks associated with specific aspects of the business such as the Board Risk Management Committee, the Senior Management Team, the Asset Liability Committee, the Information Technology Steering Committee and the Product Development Committee. The duties and scope of work of these committees are documented in their respective terms of reference.

The authority delegated by the Board to the Board Committees and the CEO are formalized in the Company's Authority Grid. There are other documents that guide on the delegation of the CEO's authority such as underwriting limits, claim limits and investment limits.

The segregation of duties is paramount in ensuring that members of staff are not assigned with potential conflicting responsibilities, relating to, among others, approvals, disbursements and administration of policies, execution and recording of investment matters, operational and internal audit/compliance functions, underwriting and credit control.

Frameworks, Policies and Procedures

The Company has established risk management frameworks that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the board. These cover key areas of risk such as:

- Investments
- Insurance operations
- Information technology and information security
- Fraud and market conduct
- Anti-money laundering and countering the financing of terrorism
- Capital management, capital contingency and stress testing

INTERNAL CONTROL FRAMEWORK (CONT'D.)

Frameworks, Policies and Procedures (cont'd.)

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the board. These cover key areas of risk such as: (cont'd.)

- Related party and interested party transactions
- Outsourcing
- Reinsurance management
- Business continuity management

The frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory and Group requirements. They are then approved by the relevant Board or Board Committees or Management Committees to formalize their application within the Company.

Self-assessment Process

A mature self-assessment process that is supported by the use of the Risk Control Self-assessment ("RCSA") and Compliance Requirements Self-assessment ("CRSA") tools is entrenched in the Company. The results of the assessment are reviewed by the Senior Management, which in turn would provide an annual assurance letter to the CEO on the adequacy and effectiveness of the Company's operational risk management and internal control systems and compliance with the relevant statutory and regulatory requirements. Commencing from Year 2017, this self-assessment process would be supplemented by an assurance report on risk management and internal controls.

Monitoring and Reporting

An Enterprise Risk Dashboard that features the Company's risk profile from five perspectives (strategic, financial, operational, technology and compliance) is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.

Stress test scenarios and the corresponding stress factors are developed and approved by the Board annually and thereafter, the approved scenarios and factors are used to stress the financial positions at least annually.

Regulatory breach and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. Respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for several Key Risk Indicators for reporting to BNM on a regular basis.

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

We, Yeoh Beow Tit and Ng Hon Soon, being two of the Directors of Overseas Assurance Corporation (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 49 to 146 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 March 2017.

Yeoh Beow Tit

Ng Hon Soon

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

I, Khoo Sook Hooi, being the officer primarily responsible for the financial management of Overseas Assurance Corporation (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 146 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Khoo Sook Hooi at
Kuala Lumpur in the Federal Territory
on 22 March 2017

Before me,

PESURUHJAYA SUMPAH
W 502
HAJI ABDUL AZIZNI
BIN ABU BAKAR
MALAYSIA

Level 16, Menara Tokio Marine Life,
189, Jalan Tun Razak, 50400 Kuala Lumpur

Khoo Sook Hooi

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of Overseas Assurance Corporation (Malaysia) Berhad, which comprise the balance sheet as at 31 December 2016, and income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Emphasis of Matter

We draw attention to Note 32 of the financial statements which describes the uncertainty relating to the future outcome of the arbitration proceedings between the company and Tahan Insurance Malaysia Berhad's (now known as Tahan Malaysia Berhad). Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Report on the financial statements (cont'd.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report and Corporate Governance, but does not include the financial statements of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors report, and the Corporate Information, Senior Management Team, CEO's Statement, Calendar of Events, Branch Network & Servicing Office and Financial Highlights contained in the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (CONT'D.) (INCORPORATED IN MALAYSIA)

Report on the financial statements (cont'd.)

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:

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (CONT'D.)
(INCORPORATED IN MALAYSIA)

Report on the financial statements (cont'd.)

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Dato' Megat Iskandar Shah Bin Mohamad Nor
No. 3083/07/17 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 March 2017

BALANCE SHEET

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 RM	2015 RM
Assets			
Goodwill	3	18,182,598	18,182,598
Property and equipment	4	26,358,847	23,937,209
Investments	5	630,365,643	559,384,948
Reinsurance assets	6	250,552,702	258,603,443
Insurance receivables	7	82,019,972	102,870,653
Deferred tax assets	12	-	205,032
Other receivables	8	74,810,046	89,784,839
Cash and bank balances		18,422,448	18,947,010
Total Assets		1,100,712,256	1,071,915,732
Equity			
Share capital	9	100,000,000	100,000,000
Retained earnings	10	297,402,439	253,776,961
Available-for-sale fair value reserves		5,150,587	3,577,553
Total Equity		402,553,026	357,354,514
Liabilities			
Insurance contract liabilities	11	586,384,133	606,798,334
Deferred tax liabilities	12	1,803,904	-
Deposits from reinsurers	13	1,189,897	96,917
Insurance payables	14	59,174,022	61,406,135
Provision for taxation		9,708,006	7,806,306
Other payables	15	39,899,268	38,453,526
Total Liabilities		698,159,230	714,561,218
Total Equity and Liabilities		**1,100,712,256**	**1,071,915,732**

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
Gross earned premiums	16(a)	443,532,713	413,112,200
Premiums ceded to reinsurers	16(b)	(149,291,141)	(137,546,701)
Net Earned Premiums		294,241,572	275,565,499
Investment income	17	29,161,955	27,053,527
Realised gains	18	4,027,893	1,385,340
Fair value losses	19	(1,733,458)	(2,549,654)
Fee and commission income		30,736,123	34,233,467
Other operating revenue	20	5,456,878	5,973,221
Other Revenue		67,649,391	66,095,901
Gross claims paid	21(a)	(225,255,929)	(219,870,243)
Claims ceded to reinsurers	21(b)	71,530,602	86,490,995
Gross change to contract liabilities	21(c)	7,094,191	(11,186,398)
Change in contract liabilities ceded to reinsurers	21(d)	6,703,233	1,963,517
Net Claims		(139,927,903)	(142,602,129)
Fee and commission expense		(66,620,776)	(64,662,190)
Management expenses	22	(81,926,447)	(77,669,871)
Other Expenses		(148,547,223)	(142,332,061)
Profit Before Taxation		**73,415,837**	**56,727,210**
Taxation	23	(18,790,359)	(13,300,100)
Net Profit For The Year		**54,625,478**	**43,427,110**
Earnings Per Share (sen)			
Basic and diluted	24	54.63	43.43

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
Net Profit For The Year		**54,625,478**	**43,427,110**
Other Comprehensive Income:			
Items that may be reclassified to income statement in subsequent periods:			
Available-for-sale fair value reserves:			
Gain on fair value changes		6,096,764	6,804,486
Realised gain transferred to income statement		(4,026,984)	(1,317,664)
		2,069,780	5,486,822
Tax effect	*12*	(496,746)	(1,324,633)
		1,573,034	4,162,189
Total Comprehensive Income For The Year		**56,198,512**	**47,589,299**

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

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

	Non-distributable		Distributable	
	Share capital RM	Available-for-sale fair value reserves RM	Retained earnings RM	Total equity RM
At 1 January 2015	100,000,000	(584,636)	229,349,851	328,765,215
Total comprehensive income for the year	-	4,162,189	43,427,110	47,589,299
Dividend paid during the year (Note 25)	-	-	(19,000,000)	(19,000,000)
At 31 December 2015	100,000,000	3,577,553	253,776,961	357,354,514
Total comprehensive income for the year	-	1,573,034	54,625,478	56,198,512
Dividend paid during the year (Note 25)	-	-	(11,000,000)	(11,000,000)
At 31 December 2016	**100,000,000**	**5,150,587**	**297,402,439**	**402,553,026**

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

CASH FLOW STATEMENT

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM	2015 RM
Operating Activities			
Cash generated from operating activities	26	11,980,957	8,459,535
Dividend income received		1,091,534	1,333,747
Interest income received		26,071,636	24,589,741
Income tax paid		(15,376,470)	(18,692,078)
Net Cash Flows Generated From Operating Activities		23,767,657	15,690,945
Investing Activities			
Proceeds from disposal of equipment		1,450	-
Purchase of equipment	4	(6,723,669)	(5,969,516)
Net Cash Flows Used In Investing Activities		(6,722,219)	(5,969,516)
Financing Activity			
Dividend paid	25	(11,000,000)	(19,000,000)
Net Cash Flows Used In Financing Activity		(11,000,000)	(19,000,000)
Net Increase/(Decrease) In Cash And Cash Equivalents		6,045,438	(9,278,571)
Cash And Cash Equivalents At Beginning Of Year		39,327,010	48,605,581
Cash And Cash Equivalents At End Of Year		**45,372,448**	**39,327,010**
Cash And Cash Equivalents Comprise:			
Cash and bank balances		18,422,448	18,947,010
Deposits with financial institutions	5(a)	26,950,000	20,380,000
		45,372,448	**39,327,010**

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

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

There has been no significant change in the nature of the principal activity during the financial year.

The immediate holding company is Overseas Assurance Corporation (Holdings) Berhad, which is incorporated in Malaysia. The intermediate holding company is Overseas Assurance Corporation Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited, a public-listed company incorporated in the Republic of Singapore.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 March 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis Of Preparation

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

The financial statements of the Company have been prepared under the historical cost convention, unless stated otherwise in the accounting policies. The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis Of Preparation (cont'd.)

The Company has adopted the amendments to MFRS and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2016 during the financial year 2016.

The adoption of the amendments to MFRS and IC Interpretation during the year has not resulted in any material financial impacts to the financial statements.

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 expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

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

(a) Removal of the authorised share capital;

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

(c) The Company's share premium and capital redemption reserves will become part of the share capital.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies

(a) Property And Equipment And Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land as it has an unlimited useful life and capital work in progress as it is not ready for active use. The annual depreciation rates are:

Buildings - owner occupied properties	2%
Office equipment	12.50%
Office renovation	20%
Furniture and fittings	10%
Motor vehicles	20%
Computer equipment and software	33%

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Investments And Financial Assets

The Company classifies its financial assets as fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the financial assets were acquired or originated.

Financial assets classified as fair value through profit or loss include financial instruments with embedded derivatives.

All the 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.

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

(i) FVTPL

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL.

For investments designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.

2.2 Summary Of Significant Accounting Policies (cont'd.)

(b) Investments And Financial Assets (cont'd.)

(i) FVTPL (cont'd.)

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 and loss.

Derivatives are financial instruments or contracts where its values vary according to changes in interest rates, foreign exchange rates, credit spreads or other variables. Financial instruments with embedded derivatives are hybrid financial instruments that include a non-derivative host contract.

(ii) 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 cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less any accumulated impairment losses. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

(iii) AFS

AFS are non-derivative financial assets not classified as LAR or FVTPL.

After initial recognition, AFS are remeasured at fair value. Any gains or losses from changes in fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(c) Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the financial instruments.

Financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method, except for derivatives which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in the income statement.

(d) Fair Value Measurement

The Company measures certain financial instruments at fair value at each balance sheet date.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(d) Fair Value Measurement (cont'd.)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market partcipant that would use the asset in its highest and best use.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Financial Assets

At each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor, significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

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 impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(e) Impairment Of Financial Assets (cont'd.)

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

Assets Carried At Cost

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

AFS Financial Assets

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 the income statement, is transferred from other comprehensive income to the income statement.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(f) Financial Instruments: Derecognition Of Financial Assets And Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired;
- The Company retains the contractual right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party; or
- The Company has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(f) Financial Instruments: Derecognition Of Financial Assets And Liabilities (cont'd.)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

(g) Business Combination And Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets and liabilities including contingent liabilities but excluding future restructuring liabilities of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets (net fair value of identifiable assets, liabilities and contingent liabilities) acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(g) Business Combination And Goodwill (cont'd.)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operations disposed and the portion of the cash-generating unit retained.

(h) Impairment Of Non-Financial Assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(h) Impairment Of Non-Financial Assets (cont'd.)

Impairment losses are recognised in the income statement except for assets that are previously revalued and where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income to the extent of the previous revaluation.

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

(i) Equity Instruments

Ordinary Share Capital

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

Dividends On Ordinary Share Capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholder. Interim dividends are deducted from equity when they are paid.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(j) Product Classification

The Company currently only issues contracts that transfer significant insurance risk.

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

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

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the balance sheet similar to investment contracts.

(k) Reinsurance

The Company cedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(k) Reinsurance (cont'd.)

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

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

The Company also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

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

(l) General Insurance Underwriting Results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, premium liabilities and claim liabilities.

Gross Premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(l) General Insurance Underwriting Results (cont'd.)

Reinsurance Premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during the particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for.

Premium Liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(n)(ii).

Claim Liabilities

A liability for outstanding claim is recognised in respect of both direct insurance and inward reinsurance.

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the balance sheet date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the balance sheet date, using a mathematical method of estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(l) General Insurance Underwriting Results (cont'd.)

Acquisition Costs

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

(m) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. 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 the income statement through an allowance account. 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(e).

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

(n) General Insurance Contract Liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the Risk-Based Capital Framework for Insurers issued by BNM.

General insurance contract liabilities comprise claim liabilities and premium liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(n) General Insurance Contract Liabilities (cont'd.)

(i) Claim Liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain type of claims; therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liabilities are calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation as required by the RBC Framework. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

(ii) Premium Liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation as required by the RBC Framework.

a) UPR

UPR represents the portion of net premiums of insurance policies written, less the related net acquisition costs, that remains unearned at the balance sheet date. UPR is computed with reference to the month of accounting for the premium reduced by the percentage of accounted gross direct business commissions to the corresponding premiums but not exceeding such limits as specified by BNM on the following basis:

- 25% method for marine and aviation cargo, and transit business;
- 1/24th method for all other classes of general business in respect of Malaysian policies; and
- Non-annual policies are time apportioned over the period of the risks.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(n) General Insurance Contract Liabilities (cont'd.)

(ii) Premium Liabilities (cont'd.)

b) URR

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

(o) Other Revenue Recognition

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

Interest Income

Interest income is recognised using the effective interest method.

Dividend Income

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

Fee And Commission Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(p) Income Tax

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

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(q) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(r) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurence or non-occurence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities are not recognised on the balance sheet of the Company.

(s) Employee Benefits

Short-term Benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(s) Employee Benefits (cont'd.)

Defined Contribution Plans Under Statutory Regulations

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

Employee Leave Entitlements

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Company's Human Resource policy.

Share Options

Senior executives of the Company are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the income statement of the respective insurance funds, with a corresponding increase in the intercompany balance with the ultimate holding company, over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(s) Employee Benefits (cont'd.)

Share Options (cont'd.)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Company or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation.

Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Company are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards granted as part of variable performance bonus, half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the income statement on the straight-line basis over the vesting period of the DSP.

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(t) Cash And Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(u) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance Leases - The Company As Lessee

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

Buildings held under finance leases are recognised as assets in the Balance Sheet of the Company and measured in accordance with MFRS 116 *Property, Plant and Equipment.*

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary Of Significant Accounting Policies (cont'd.)

(u) Leases (cont'd.)

(iii) Operating Leases - The Company As Lessee

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

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

(iv) Operating Leases - The Company As Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis on the lease term.

(v) Goods And Service Tax ("GST")

GST, a multistage consumption tax on domestic consumption was implemented nationwide in 1st April 2015.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards Issued But Not Yet Effective

As at the date of authorisation of these financial statements, the following Standards, Amendments to Standards and improvements to published standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Company.

Effective For The Financial Periods Beginning On Or After 1 January 2017

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

Effective For The Financial Periods Beginning On Or After 1 January 2018

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

Effective For The Financial Periods Beginning On Or After 1 January 2019

MFRS 16 Leases

Deferred

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards Issued But Not Yet Effective (cont'd.)

The directors expect that the adoption of the above Standards, and Amendments to standards have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

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

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

(a) Classification And Measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards Issued But Not Yet Effective (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

(a) Classification And Measurement (cont'd.)

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

(b) Impairment

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

The Company expects to apply the simplified approach and record lifetime ECL on all trade receivables. A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

(c) Transition

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards Issued But Not Yet Effective (cont'd.)

MFRS 15 Revenue From Contracts With Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plan to adopt the new standard on the required effective date.

MFRS 16 Leases

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards Issued But Not Yet Effective (cont'd.)

MFRS 16 Leases (cont'd.)

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

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

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

Amendments To IFRS 4 Applying IFRS 9 Financial Instruments With IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if:

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

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

The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgments, Estimates And Assumptions

(a) Critical Judgments Made In Applying Accounting Policies

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

(i) Deferred Tax Assets

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

(ii) Income Taxes

The Company is subject to income taxes in Malaysia. Significant judgment is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

(iii) Impairment Of AFS Financial Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgments, Estimates And Assumptions (cont'd.)

(a) Critical Judgments Made In Applying Accounting Policies (cont'd.)

(iii) Impairment Of AFS Financial Assets (cont'd.)

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

These factors are inherently subjective and management is required to exercise judgment to determine if an AFS financial asset is impaired as well as the estimation of the recoverable value of AFS financial assets against which the carrying value is compared to determine the impairment loss to be recognised in the financial statements.

(iv) Impairment Of Receivables

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

Where evidence exists that a receivable is impaired, the Company will recognised the impairment loss in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgments, Estimates And Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions

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

(i) Valuation Of General Insurance Contract Liabilities

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR while claim liabilities are mainly comprise of provision for outstanding claims notified and outstanding claims incurred but not reported.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projections.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgments, Estimates And Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions (cont'd.)

(i) Valuation Of General Insurance Contract Liabilities (cont'd.)

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

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

(ii) Pipeline Premium

The Company has recognised pipeline premium amounting to approximately RM40,880,162 during the current financial year (2015: RM35,489,526). The estimation of pipeline premiums made by management is based on average actual pipeline premium booked in for past three (3) years. As estimations are inherently uncertain, actual premium may differ from the estimated premiums.

(iii) Impairment Of Goodwill

The Company assesses goodwill annually to determine if any impairment exists by measuring the recoverable amount of the goodwill based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and the terminal value, may affect the results of the impairment assessment. The assumptions applied to estimate the value-in-use computations are as described in Note 3 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Significant Accounting Judgments, Estimates And Assumptions (cont'd.)

(b) Key Sources Of Estimation Uncertainty And Assumptions (cont'd.)

(iv) Reinsurance Assets

The Company reviews the reinsurance assets at each quarter balance sheet date or more frequently when an indication of impairment arises during the financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of reinsurance assets that the Company may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the Income Statement.

2.5 Changes In Accounting Policies And Disclosures

(a) Reclassification Of Comparative To Conform With Current Year Presentation

Net assets held under the Malaysian Motor Insurance Pool ("MMIP") of the Company was previously disclosed in other receivables in the balance sheet. To conform with the Company's current year financial statements presentation, the net assets held under MMIP of the Company as at 31 December 2015 has been restated and presented at gross. The impact of the reclassification to the financial statements line-items on the balance sheet for financial year ended 31 December 2015 is summarised below:

Balance sheet as at 31 December 2015

31 December 2015	As previously reported RM	Reclassification RM	As restated RM
Other receivables	87,052,789	2,732,050	89,784,839
Other payables	35,721,476	2,732,050	38,453,526

3. GOODWILL

	2016 RM	2015 RM
At beginning of year	**18,182,598**	**18,182,598**
Impairment	-	-
At end of year	**18,182,598**	**18,182,598**

The goodwill above arose from the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad (now known as Tahan Malaysia Berhad) on 1 January 2011 ("Tahan").

Goodwill is allocated to the Company's Cash Generating Unit ("CGU") which is expected to benefit from the synergies of the acquisition. The recoverable amount of the CGU is assessed based on its value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. Impairment is recognised in the income statement if the carrying amount of the CGU exceeds its recoverable amount.

Goodwill is allocated to the Company's business as a whole, which is defined as a single CGU.

The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a five-year period.

The other key assumptions for the computation of value-in-use are as follows:

(i) The expected growth rate of the Company is on the average of 11.2% per annum (2015: 11.1%).

(ii) The discount rate applied is the internal weighted average cost of capital of the Company at the time of the assessment, which is estimated to be 9.07% per annum (2015: 10.34%) (pre-tax discount rate of 10.40% per annum (2015: 12.67%); and

(iii) Terminal value cash flow growth rate of 4.1% (2015: 4.7%), which is consistent with the Gross Domestic Product rate.

The management of the Company believes that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the CGU to exceed its recoverable amount. Accordingly, there is no evidence of impairment of goodwill as at the financial year-end.

4. PROPERTY AND EQUIPMENT

	Freehold land RM	Buildings - Owner occupied properties RM	Office equipment, renovation, furniture & fittings RM	Motor vehicles RM	Computer equipment RM	Capital work-in-progress RM	Total RM
Cost							
At 1 January 2015	9,800,000	2,200,000	6,022,192	548,005	9,759,773	7,192,469	35,522,439
Additions	-	-	188,975	-	2,299,209	3,481,332	5,969,516
Reclassification	-	-	1,650,404	-	4,464,580	(6,114,984)	-
Write-off	-	-	(4,920)	-	-	-	(4,920)
At 31 December 2015	9,800,000	2,200,000	7,856,651	548,005	16,523,562	4,558,817	41,487,035
Additions	-	-	36,972	-	224,395	6,462,302	6,723,669
Reclassification	-	-	303,659	-	3,385,663	(3,689,322)	-
Disposals	-	-	-	(7,941)	(2,149)	-	(10,090)
Write-off	-	-	(8,805)	-	(6,704)	-	(15,509)
At 31 December 2016	9,800,000	2,200,000	8,188,477	540,064	20,124,767	7,331,797	48,185,105
Accumulated Depreciation							
At 1 January 2015	-	176,000	4,511,427	227,074	8,836,579	-	13,751,080
Depreciation charge for year (Note 22)	-	44,000	829,977	85,041	2,844,390	-	3,803,408
Write-off	-	-	(4,662)	-	-	-	(4,662)
At 31 December 2015	-	220,000	5,336,742	312,115	11,680,969	-	17,549,826
Depreciation charge for year (Note 22)	-	44,000	811,197	85,041	3,360,729	-	4,300,967
Disposals	-	-	-	(7,939)	(1,610)	-	(9,549)
Write-off	-	-	(8,288)	-	(6,698)	-	(14,986)
At 31 December 2016	-	264,000	6,139,651	389,217	15,033,390	-	21,826,258
Net Carrying Amount							
At 31 December 2015	9,800,000	1,980,000	2,519,909	235,890	4,842,593	4,558,817	23,937,209
At 31 December 2016	9,800,000	1,936,000	2,048,826	150,847	5,091,377	7,331,797	26,358,847

Included in the cost of property and equipment of the Company are the costs of fully depreciated assets which are still in use amounting to RM12,578,901 (2015: RM11,408,948).

5. INVESTMENTS

	2016 RM	2015 RM
Malaysian government securities	37,891,520	81,036,306
Debt securities	502,407,177	398,652,829
Equity securities	40,158,339	37,353,206
Unit and property trust funds	1,497,768	-
Loans	21,460,839	21,962,607
Deposits with financial institutions	26,950,000	20,380,000
	630,365,643	**559,384,948**

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

	2016 RM	2015 RM
LAR	48,410,839	42,342,607
AFS financial assets	556,888,598	497,558,221
FVTPL financial assets	25,066,206	19,484,120
	630,365,643	**559,384,948**

The following investments mature after 12 months:

	2016 RM	2015 RM
LAR	21,341,831	21,852,575
AFS financial assets	493,775,223	442,785,410
FVTPL financial assets	25,066,206	19,484,120
	540,183,260	**484,122,105**

5. INVESTMENTS (CONT'D.)

(a) LAR

	2016 RM	2015 RM
At Amortised Cost/Cost:		
Fixed and call deposits with licensed financial institutions	26,950,000	20,380,000
Loans:	21,460,839	21,962,607
Mortgage loans	155,018	198,403
Secured loans	20,031,355	20,039,908
Other loans	1,274,466	1,724,296
	48,410,839	**42,342,607**

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

The carrying value of the mortgage loans, secured loans and other loans are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) AFS Financial Assets

	2016 RM	2015 RM
At Fair Value:		
Malaysian government securities	37,891,520	81,036,306
Debt securities:		
Unquoted in Malaysia	477,446,821	379,228,900
Equity securities:		
Quoted in Malaysia	40,052,489	37,293,015
Quoted unit and property trust funds in Malaysia	1,497,768	-
	556,888,598	**497,558,221**

5. INVESTMENTS (CONT'D.)

(c) FVTPL

	2016 RM	2015 RM
At Fair Value:		
Debt securities:		
Unquoted in Malaysia	24,960,356	19,423,929
Equity securities:		
Quoted in Malaysia	105,850	60,191
	25,066,206	**19,484,120**

Financial instruments carried at FVTPL primarily comprise of warrants and structured deposits. In accordance with MFRS 139 *Financial Instruments: Recognition and Measurement,* these have been designated as at FVTPL upon initial recognition.

(d) Carrying Values Of Investments

	LAR RM	AFS RM	FVTPL RM	Total RM
At 1 January 2015	**43,703,428**	**500,861,001**	**19,452,124**	**564,016,553**
Purchases (Note 26)	1,836,369,709	378,934,519	15,000,000	2,230,304,228
Maturities / disposals	(1,837,722,366)	(385,565,738)	(15,147,989)	(2,238,436,093)
Fair value gains recorded in other comprehensive income	-	5,486,822	-	5,486,822
Fair value gains recorded in income statement	-	-	179,985	179,985
Impairment losses on investments	-	(2,729,639)	-	(2,729,639)
(Amortisation) / Accretion adjustments	(8,164)	571,256	-	563,092
At 31 December 2015	**42,342,607**	**497,558,221**	**19,484,120**	**559,384,948**
Purchases (Note 26)	2,091,141,400	481,812,795	29,507,771	2,602,461,966
Maturities / disposals	(2,085,064,614)	(424,308,872)	(23,000,000)	(2,532,373,486)
Fair value gains recorded in other comprehensive income	-	2,069,780	-	2,069,780
Fair value losses recorded in income statement	-	-	(925,685)	(925,685)
Impairment losses on investments	-	(807,773)	-	(807,773)
(Amortisation) / Accretion adjustments	(8,554)	564,447	-	555,893
At 31 December 2016	**48,410,839**	**556,888,598**	**25,066,206**	**630,365,643**

6. REINSURANCE ASSETS

	2016 RM	2015 RM
Reinsurers' share of claim liabilities (Note 11)	191,082,848	184,379,617
Reinsurers' share of premium liabilities (Note 11)	59,469,854	74,223,826
	250,552,702	**258,603,443**

Movement Of Accumulated Impairment Losses Account:

	Individually Impaired	
	2016 RM	2015 RM
At beginning of year	**1,413,846**	**2,008,711**
Reversal of impairment losses	(715,512)	(594,865)
At end of year	**698,334**	**1,413,846**

During the year, the Company made reversal of impairment losses of RM715,512 in respect to reinsurance asset arising from a reinsurer which its balances had been fully impaired in the previous year due to deteriorating financial performance and credit rating. Current year reversal of impairment losses on reinsurance assets is due to claims settlements and closing of time-barred losses resulting in reversal of reserves provided earlier.

7. INSURANCE RECEIVABLES

	2016 RM	2015 RM
Due premiums including agents/brokers, co-insurers and insured balances	69,842,402	71,244,440
Due from reinsurers and cedants	28,246,346	48,209,781
	98,088,748	119,454,221
Accumulated impairment losses	(16,068,776)	(16,583,568)
	82,019,972	**102,870,653**

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

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2016			
Premiums	85,457,447	(17,769,398)	67,688,049
Commissions	5,264,189	(8,930,940)	(3,666,751)
Claims	25,314,308	-	25,314,308
	116,035,944	**(26,700,338)**	**89,335,606**
31 December 2015			
Premiums	90,890,533	(34,270,647)	56,619,886
Commissions	11,939,489	(8,448,698)	3,490,791
Claims	54,506,656	-	54,506,656
	157,336,678	**(42,719,345)**	**114,617,333**

Movement of accumulated impairment losses account:

	2016 RM	2015 RM
At beginning of year	**16,583,568**	**26,102,927**
(Write back of)/Provision for impairment losses (Note 22)		
- Collective impairment	(1,279,821)	(9,983,248)
- Specific impairment	765,029	463,889
	(514,792)	(9,519,359)
At end of year	**16,068,776**	**16,583,568**

8. OTHER RECEIVABLES

	2016 RM	2015 RM
Income due and accrued	6,207,773	5,362,357
Assets held under the Malaysian Motor Insurance Pool ("MMIP") (Note 30(v))*	59,800,997	71,641,319
Collateral fixed deposits	5,345,554	7,736,410
Deposits and prepayments	1,782,123	1,349,822
Due from Tahan	7,395,119	7,395,119
Other receivables	1,000,370	3,021,702
	81,531,936	96,506,729
Accumulated impairment losses	(6,721,890)	(6,721,890)
	74,810,046	**89,784,839**

The carrying amounts of other receivables (not including deposits and prepayments) approximate fair values due to the relatively short-term maturity of these balances.

* As a participating member of MMIP, the Company shares a proportion of the Pool's assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The assets held under MMIP represents the Company's share of the Pool's assets, before insurance contract liabilities and other liabilities. The Company's share of the Pool's insurance contract liabilities, other liabilities and net exposure arising from its participation in the Pool is disclosed in Notes 11, 15 and 30(v) respectively.

* The assets held under MMIP of the Company includes cash contribution of RM25,359,477 (2015: RM34,359,477) made to MMIP. The accumulated cash contributions were made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014. The decrease in the accumulated cash contribution is due to surplus refund of RM9,000,000 (2015: cash call payment of RM7,011,576) made by the Pool during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

9. SHARE CAPITAL

	2016		2015	
	No. of Shares	RM	No. of Shares	RM
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of the year	100,000,000	100,000,000	100,000,000	100,000,000
Issued and Paid-up:				
Ordinary shares of RM1 each				
At beginning and end of the year	100,000,000	100,000,000	100,000,000	100,000,000

10. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 and 31 December 2015 under the single tier system.

11. INSURANCE CONTRACT LIABILITIES

	2016			2015		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	358,638,571	(186,161,399)	172,477,172	352,834,223	(178,445,082)	174,389,141
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	38,851,795	(4,921,449)	33,930,346	51,750,334	(5,934,535)	45,815,799
Claim liabilities (i)	397,490,366	(191,082,848)	206,407,518	404,584,557	(184,379,617)	220,204,940
Premium liabilities (ii)	188,893,767	(59,469,854)	129,423,913	202,213,777	(74,223,826)	127,989,951
	586,384,133	**(250,552,702)**	**335,831,431**	**606,798,334**	**(258,603,443)**	**348,194,891**
(i) Claim Liabilities						
At beginning of year	**404,584,557**	**(184,379,617)**	**220,204,940**	**393,398,157**	**(182,416,099)**	**210,982,058**
Claims incurred in the current accident year (direct and facultative)	247,769,547	(85,698,225)	162,071,322	272,290,730	(127,049,447)	145,241,283
Adjustment to claims incurred in prior accident year due to changes in assumption						
- change in link ratios used in the IBNR estimation	(7,963,339)	2,293,958	(5,669,381)	(39,463,099)	29,859,457	(9,603,642)
Movement in PRAD of claim liabilities	(13,046,527)	4,977,204	(8,069,323)	(10,176,215)	530,820	(9,645,395)
Movement in unallocated loss adjustment expenses ("ULAE")	(1,177,611)	-	(1,177,611)	(1,302,658)	-	(1,302,658)
Other movement in claims incurred in prior accident years (direct and facultative)	(613,584)	193,230	(420,354)	(9,807,883)	8,342,262	(1,465,621)
Movement in claims incurred (treaty inwards claims)	(6,806,748)	-	(6,806,748)	19,515,768	(137,605)	19,378,163
Claims paid during the year (Note 21(a))	(225,255,929)	71,530,602	(153,725,327)	(219,870,243)	86,490,995	(133,379,248)
At end of year	**397,490,366**	**(191,082,848)**	**206,407,518**	**404,584,557**	**(184,379,617)**	**220,204,940**
(ii) Premium Liabilities						
At beginning of year	**202,213,777**	**(74,223,826)**	**127,989,951**	**166,330,753**	**(53,036,841)**	**113,293,912**
Premiums written in the year (Note 16)	430,212,703	(134,537,169)	295,675,534	448,995,224	(158,733,686)	290,261,538
Premiums earned during the year (Note 16)	(443,532,713)	149,291,141	(294,241,572)	(413,112,200)	137,546,701	(275,565,499)
At end of year	**188,893,767**	**(59,469,854)**	**129,423,913**	**202,213,777**	**(74,223,826)**	**127,989,951**

As at 31 December 2016, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM50,199,451 (2015: RM67,974,678) and RM4,104,864 (2015: RM7,208,744). The Company's net exposure arising from its participation in the Pool is detailed in Note 30(v).

12. DEFERRED TAX LIABILITIES/(ASSETS)

	2016 RM	2015 RM
At beginning of year	**(205,032)**	**(737,759)**
Recognised in:		
Income statement (Note 23)	1,512,190	(791,906)
Other comprehensive income	496,746	1,324,633
At end of year	**1,803,904**	**(205,032)**

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.

	2016 RM	2015 RM
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	2,446,867	506,939
Deferred tax assets	(642,963)	(711,971)
	1,803,904	**(205,032)**

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

Deferred Tax Liabilities:

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2016	**506,939**	**-**	**-**	**506,939**
Recognised in:				
Income statement	77,850	99,327	1,266,005	1,443,182
Other comprehensive income	496,746	-	-	496,746
At 31 December 2016	**1,081,535**	**99,327**	**1,266,005**	**2,446,867**

12. DEFERRED TAX LIABILITIES/(ASSETS) (CONT'D.)

Deferred Tax Liabilities: (cont'd.)

	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2015	**12,652**	**70,179**	**160,883**	**243,714**
Recognised in:				
Income statement	-	(70,179)	(160,883)	(231,062)
Other comprehensive income	494,287	-	-	494,287
At 31 December 2015	**506,939**	**-**	**-**	**506,939**

Deferred Tax Assets:

	Receivables RM	Investments RM	Premium liabilities RM	Accelerated capital allowance on property and equipment RM	Total RM
At 1 January 2016	**(482,431)**	**-**	**(135,388)**	**(94,152)**	**(711,971)**
Recognised in income statement	(160,532)	-	(135,388)	(94,152)	69,008
At 31 December 2016	**(642,963)**	**-**	**-**	**-**	**(642,963)**
At 1 January 2015	**(599,976)**	**(381,497)**	**-**	**-**	**(981,473)**
Recognised in income statement	117,545	(448,849)	(135,388)	(94,152)	(560,844)
Recognised in other comprehensive income	-	830,346	-	-	830,346
At 31 December 2015	**(482,431)**	**-**	**(135,388)**	**(94,152)**	**(711,971)**

13. DEPOSITS FROM REINSURERS

The carrying amount of deposits from reinsurers approximates fair value at the balance sheet date.

All deposits are repayable within one year.

14. INSURANCE PAYABLES

	2016 RM	2015 RM
Due to agents, intermediaries and insured	13,494,092	14,737,593
Due to reinsurers and cedants	45,679,930	46,668,542
	59,174,022	**61,406,135**

The carrying amounts disclosed above approximate fair value at the balance sheet date.

All amounts are payable within one year.

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

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2016			
Premiums	62,032,780	(1,374,825)	60,657,955
Commissions	1,541,979	(6,358,095)	(4,816,116)
Claims	2,255,443	(5,226,776)	(2,971,333)
	65,830,202	**(12,959,696)**	**52,870,506**
31 December 2015			
Premiums	58,193,326	(3,032,444)	55,160,882
Commissions	2,396,359	(4,581,429)	(2,185,070)
Claims	2,742,202	-	2,742,202
	63,331,887	**(7,613,873)**	**55,718,014**

15. OTHER PAYABLES

	2016 RM	2015 RM
Amount due to related companies (Note 29(a))	1,539,842	1,366,373
Amount due to immediate holding company (Note 29(a))	533,371	543,608
Liabilities held under the Malaysian		
Motor Insurance Pool ("MMIP") (Note 30(v))	4,119,901	2,732,050
Goods and Services Tax	958,019	1,080,386
Cash collateral held on behalf of insureds	5,773,181	8,299,151
Accrual for staff bonus	5,426,876	5,318,870
Other accrued expenses	6,449,368	5,321,531
Other payables	15,098,710	13,791,557
	39,899,268	**38,453,526**

The carrying amounts disclosed above approximate fair values at the balance sheet date.

All amounts are payable within one year.

The amounts due to related companies and immediate holding company are trade in nature, unsecured, interest free and are repayable on demand.

16. NET EARNED PREMIUMS

	2016 RM	2015 RM
(a) Gross earned premiums		
General insurance contract (Note 11(ii))	430,212,703	448,995,224
Change in premium liabilities	13,320,010	(35,883,024)
	443,532,713	413,112,200
(b) Premiums ceded		
General insurance contract (Note 11(ii))	(134,537,169)	(158,733,686)
Change in premium liabilities	(14,753,972)	21,186,985
	(149,291,141)	(137,546,701)
Net earned premiums (Note 11(ii))	**294,241,572**	**275,565,499**

17. INVESTMENT INCOME

	2016 RM	2015 RM
Net rental income from properties	661,200	661,200
Interest/profit income from AFS financial assets	24,581,742	21,996,721
Interest/profit income from FVTPL financial assets	677,668	990,503
Dividend/distribution income:		
- quoted equity securities in Malaysia	1,143,681	1,279,481
LAR interest income	1,605,496	1,594,537
Investment Income (Note 26)	28,669,787	26,522,442
Net accretion of discount (Note 26)	555,893	563,092
Investment expenses	(63,725)	(32,007)
	29,161,955	**27,053,527**

18. REALISED GAINS

	2016 RM	2015 RM
Property and equipment:		
Gain on disposal of property and equipment (Note 26)	909	-
AFS financial assets:		
Realised gains:		
- quoted equity securities in Malaysia	2,829,247	1,337,929
- unquoted debt securities in Malaysia	522,870	505,555
- Malaysian government securities	690,021	821,873
Realised losses:		
- quoted equity securities in Malaysia	-	(1,308,371)
- unquoted debt securities in Malaysia	(15,154)	(39,322)
Realised gains on AFS financial assets	**4,026,984**	**1,317,664**
FVTPL financial assets:		
Realised gains:		
- quoted equity securities in Malaysia	-	67,676
Realised gains on FVTPL financial assets	**-**	**67,676**
Realised gains on AFS and FVTPL financial assets (Note 26)	4,026,984	1,385,340
Total realised gains	**4,027,893**	**1,385,340**

19. FAIR VALUE (LOSSES)/GAINS

	2016 RM	2015 RM
Impairment losses on investments	(807,773)	(2,729,639)
Unrealised gains on equity securities	37,888	60,191
Unrealised gains on debt securities	-	156,791
Unrealised losses on debt securities	(963,573)	(36,997)
Total fair value losses (Note 26)	**(1,733,458)**	**(2,549,654)**

20. OTHER OPERATING REVENUE

	2016 RM	2015 RM
Other operating revenue:		
Sundry income	**5,456,878**	**5,973,221**

21. NET CLAIMS

	2016 RM	2015 RM
(a) Gross Claims Paid		
General insurance contracts (Note 11(i))	(225,255,929)	(219,870,243)
(b) Claims Ceded To Reinsurers		
General insurance contracts (Note 11(i))	71,530,602	86,490,995
Net claims paid (a) (Note 11(i))	(153,725,327)	(133,379,248)
(c) Gross Change In Contract Liabilities		
General insurance contracts	7,094,191	(11,186,398)
(d) Change In Contract Liabilities Ceded To Reinsurers		
General insurance contracts	6,703,233	1,963,517
Net change in contract liabilities (b)	13,797,424	(9,222,881)
Net claims (a) + (b)	**(139,927,903)**	**(142,602,129)**

22. MANAGEMENT EXPENSES

	2016 RM	2015 RM
Employee benefits expense (Note 22(a))	42,228,605	38,814,919
Directors' remuneration (Note 22(b))	404,525	378,467
Auditors' remuneration:		
- statutory audits	232,210	246,500
- regulatory related fees	29,236	27,600
- other services	30,422	28,700
Depreciation of property and equipment (Note 4)	4,300,967	3,803,408
Bad debts (write back)/written off (Note 26)	(21,608)	9,384,624
Property and equipment written off (Note 26)	523	258
Office rental	3,025,040	2,928,961
Rental of equipment, software and services	386,849	337,852
Administration and general expenses	31,824,470	31,237,941
Write back of impairment losses on insurance receivables (Note 7)	(514,792)	(9,519,359)
	81,926,447	**77,669,871**

(a) Employee Benefits Expense

	2016 RM	2015 RM
Wages and salaries	34,699,076	31,732,752
Social security contributions	268,538	218,941
Contributions to defined contribution plan - EPF	5,216,023	5,072,843
Other benefits	1,869,024	1,485,319
Share based payments	175,944	305,064
	42,228,605	**38,814,919**

Included in employee benefits expense is CEO's remuneration of RM797,110 (2015: RM785,309) as detailed in Note 22(c).

22. MANAGEMENT EXPENSES (CONT'D)

(b) Directors' Remuneration

The details of remuneration receivable by Directors during the year are as follows:

	2016 RM	2015 RM
Non-executive directors' fees	**404,525**	**378,467**

NAME	2016 RM	2015 RM
Mr Norman Ip	93,700	72,267
Y Bhg Datuk Kamaruddin bin Taib	50,775	-
Y Bhg Dato' Yeoh Beow Tit	124,500	102,000
Mr Ng Hon Soon	103,750	78,200
Mr Lee Kong Yip	31,800	126,000
	404,525	**378,467**

The other directors in office during the year and as at the financial year did not receive any remuneration from the Company.

The Directors' fees are subject to the recommendation of the Board Nominations and Remuneration Committee ("BNRC") to the Board for endorsement and approval by the shareholder at the Annual General Meeting ("AGM") of the Company.

(c) CEO's Remuneration

The details of remuneration received by the CEO during the year are as follows:

	2016 RM	2015 RM
Salaries and other remuneration	608,710	608,710
Bonus	163,800	151,999
Total remuneration excluding benefits in kind	772,510	760,709
Estimated money value of benefits in kind	24,600	24,600
Total remuneration (Note 22(a))	797,110	785,309
Share-based payment (in units)	**110**	**5,558**

23. TAXATION

	2016 RM	2015 RM
Current income tax:		
Malaysian income tax	18,856,930	14,649,791
Overprovision of income tax	(1,578,761)	(557,785)
	17,278,169	14,092,006
Deferred tax (Note 12):		
Relating to origination and reversal of temporary differences	242,337	(774,600)
Under/(Over)provision in prior year	1,269,853	(17,306)
	1,512,190	(791,906)
	18,790,359	**13,300,100**

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

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

	2016 RM	2015 RM
Profit before taxation	**73,415,837**	**56,727,210**
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	17,619,801	14,181,803
Income not subject to tax	(533,737)	(1,159,780)
Expenses not deductible for tax purposes	2,013,203	2,551,167
Additional tax deduction in respect of contribution to MMIP	-	(1,752,894)
Effect of changes in tax rate on deferred tax	-	54,895
Overprovision of prior year tax	(1,578,761)	(557,785)
Under/(Over)provision of deferred tax in prior year	1,269,853	(17,306)
Tax expense for the year	**18,790,359**	**13,300,100**

24. EARNINGS PER SHARE

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

	2016 RM	2015 RM
Profit attributable to ordinary equity holder	54,625,478	43,427,110
Number of ordinary shares in issue during the year	100,000,000	100,000,000
Basic earnings per share (sen)	**54.63**	**43.43**

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of the financial statements.

25. DIVIDENDS

Recognised during the financial year:

	2016 RM	2015 RM
Final single tier dividend for 2016: RM0.11 (2015: RM0.19) per share	**11,000,000**	**19,000,000**

26. CASH GENERATED FROM OPERATING ACTIVITIES

	Note	2016 RM	2015 RM
Profit before taxation		73,415,837	56,727,210
Investment income	17	(28,669,787)	(26,522,442)
Realised gains on AFS and FVTPL financial assets	18	(4,026,984)	(1,385,340)
Fair value losses recorded in income statement	19	1,733,458	2,549,654
Purchases of FVTPL financial assets	5(d)	(29,507,771)	(15,000,000)
Purchases of AFS financial assets	5(d)	(481,812,795)	(378,934,519)
Proceeds from maturities/disposals of AFS financial assets		428,335,856	386,883,406
Proceeds from maturities/disposals of FVTPL financial assets		23,000,000	15,215,665
Decrease/(Increase) in LAR		493,214	(297,344)
Non-cash items:			
Depreciation of property and equipment	4	4,300,967	3,803,408
Gain on disposal of property and equipment	18	(909)	-
Write back of impairment losses on insurance receivables	7	(514,792)	(9,519,359)
Bad debts (write back)/written off	22	(21,608)	9,384,624
Property and equipment written off	22	523	258
Net accretion of discounts	17	(555,893)	(563,092)
Changes in working capital:			
Reinsurance assets		8,050,741	(23,150,503)
Insurance receivables		21,387,081	(49,528,119)
Other receivables		13,749,359	(13,500,558)
Insurance contract liabilities		(20,414,201)	47,069,424
Deposits from reinsurers		1,092,980	(631,924)
Insurance payables		(2,232,113)	7,024,251
Other payables		4,177,794	(1,165,165)
Cash generated from operating activities		**11,980,957**	**8,459,535**

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

27. CAPITAL COMMITMENTS

The capital commitments of the Company as at the financial year-end are as follows:

	2016 RM	2015 RM
Capital expenditure:		
Approved and contracted for:		
Property and equipment	9,390,604	6,606,334
Approved but not contracted for:		
Property and equipment	118,481	729,922
	9,509,085	**7,336,256**

28. OPERATING LEASE ARRANGEMENTS

(a) The Company As Lessee

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

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

Future Minimum Rental Payments:

	2016 RM	2015 RM
Rental of equipment, software and services:		
Not later than 1 year	331,585	376,658
Later than 1 year and not later than 5 years	352,913	560,225
	684,498	**936,883**
Rental of office premises:		
Not later than 1 year	2,703,703	1,825,627
Later than 1 year and not later than 5 years	3,273,693	1,130,602
	5,977,396	**2,956,229**

29. RELATED PARTY DISCLOSURES

(a) Related Party Transactions And Balances

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during and at the end of the financial year:

Significant transactions with related parties during the year:

	2016 RM	2015 RM
Expense/(Income):		
Property rentals paid (ii)		
- Great Eastern Life Assurance (Malaysia) Berhad	1,894,954	1,773,500
Service charges paid (iii)		
- Great Eastern Life Assurance (Malaysia) Berhad	6,303,868	5,087,580
- Great Eastern Life Assurance (Singapore) Co Ltd	3,341,278	3,690,717
Premium paid (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	252,647	228,087
Commission fees paid		
- Great Eastern Life Assurance (Malaysia) Berhad	391,232	397,758
- OCBC Bank (Malaysia) Berhad	3,915,492	4,273,943
- OCBC Al-Amin Bank Berhad	6,959	405,227
- OCBC Properties (M) Sdn Bhd	15,856	12,699
- Pac Lease Berhad	2,331,728	2,648,856
Bank charges and custodian fee paid (iii)		
- OCBC Bank (Malaysia) Berhad	1,571,287	1,555,165
Premium received (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(2,556,052)	(2,568,200)
- OCBC Bank (Malaysia) Berhad	(3,908,526)	(3,266,447)
- OCBC Al-Amin Bank Berhad	(70,155)	(655,151)
- OCBC Properties (M) Sdn Bhd	(101,540)	(83,558)
- Pacific Mutual Fund Bhd	(25,576)	(24,982)
- E2 Power Sdn Bhd	(328,807)	(330,873)
- Horizon Asset Management Sdn Bhd	(278)	(278)
- Pac Lease Berhad	(40,515)	(12,259)
- Key Management Personnel	(56,754)	(57,970)

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

	2016 RM	2015 RM
Expense/(Income):		
Reinsurance premium received (i)		
- Great Eastern Life Assurance (Malaysia) Berhad	(152,501)	(106,891)
Interest received (iv)		
- OCBC Bank (Malaysia) Berhad	(460,737)	(592,455)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Limited	72,604	132,374
Employee Share Option Scheme		
- Oversea-Chinese Banking Corporation Limited	43,728	127,580
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Limited	59,612	45,109
Disposal of investment to		
- Great Eastern Life Assurance (Malaysia) Berhad	(61,652,614)	(190,743,541)
- Pac Lease Berhad	(51,495,729)	(32,000,000)
Purchase of investment from		
- Great Eastern Life Assurance (Malaysia) Berhad	14,273,760	-
- Pac Lease Berhad	51,325,003	31,895,067
Balances with related parties at year-end:		
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	17,259,227	18,640,000
Fixed deposits and structured deposits		
- OCBC Bank (Malaysia) Berhad	13,912,317	10,449,578
Amount due to subsidiaries of penultimate holding company (Note 15):		
- Great Eastern Life Assurance (Malaysia) Berhad	1,169,302	799,807
- Great Eastern Life Assurance (Singapore) Co Ltd	260,529	438,124
- Oversea-Chinese Banking Corporation Limited	110,011	128,442
	1,539,842	**1,366,373**
Amount due to immediate holding company (Note 15):		
- Overseas Assurance Corporation (Holdings) Berhad	533,371	543,608

29. RELATED PARTY DISCLOSURES (CONT'D.)

(a) Related Party Transactions And Balances (cont'd.)

Significant transactions with related parties during the year: (cont'd.)

The related companies disclosed above are companies within the Oversea-Chinese Banking Corporation Group. Notes on transactions with related parties:

(i) The sale and purchase of insurance policies to/from related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.

(ii) Rental of property from related parties are made according to normal market prices, terms and conditions.

(iii) Payment of service charges to related parties are made according to normal market prices.

(iv) The interest income arose mainly from investment in fixed deposits and structured deposits which are made according to prevailing market rates, terms and conditions.

(v) General terms for balances with related companies are disclosed in Note 15.

(b) Compensation Of Key Management Personnel

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

	2016 RM	2015 RM
Short-term employee benefits	2,619,192	3,140,109
Post-employment benefits	398,040	463,856
Share based payment ("DSP")	29,476	88,742
	3,046,708	3,692,707
Non Executive Directors' remuneration (Note 22(b))	404,525	378,467
	3,451,233	**4,071,174**
Share-based payment (in units)	**9,120**	**14,156**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company includes the Directors, Chief Executive Officer and Senior Management Team.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall:

- Always operate within the risk appetite set by the Board of Directors ("Board"); and
- Ensure commensurate reward for any risk taken.

The Risk Management and Compliance Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Management Committee ("BRMC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the CEO and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset Liability Committee ("ALC")
- Product Development Committee ("PDC")
- IT Steering Committee ("ITSC")
- Financial Crime Committee ("FCC")

The SMT is responsible for providing leadership, direction and oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The ALC is responsible for assisting the SMT in balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for the oversight of technology and information risks and any relevant regulatory and compliance risks relating to technology and information risks within the Company.

The FCC provides independent oversight of fraud investigation and anti-money laundering / countering of financing of terrorism (AML/CFT) review, and ensures that investigations and reviews are conducted in a manner that is fair, consistent and transparent.

On 3 August 2016, Bank Negara Malaysia ("BNM") issued a guideline on Corporate Governance which sets out a framework of principles to strengthen board composition rules; heighten expectations on the board and senior management to foster a corporate culture that promotes ethical, prudent and professional behaviour; and expand requirements on compensation structures to ensure that employees' incentives are aligned with prudent risk-taking, and clarifies expectations in respect of group-wide governance. The Company is working towards full compliance with the guideline by 2019.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Regulatory Framework

Insurers have to comply with the Financial Services Act 2013 ("FSA") which came into force on 30 June 2013, and regulations, including guidelines on investment limits.

As the FSA effectively serves to replace the Insurance Act ("IA")1996, the enforcement of the FSA has a profound impact on the way the Company operates and it raises challenges to business departments to ensure compliance with the new regulatory requirements. In comparison with IA 1996, FSA provides greater sense of regulatory control and consumer protection as well as endowing BNM with wide powers to intervene with a financial institution's business or operations to manage risk and ensure good governance.

Notwithstanding the impact of FSA on the Company's overall operations and business conduct, the Company is in full compliance with the applicable provisions of the FSA.

BNM guideline on Compliance will be effective on 1 January 2017. The guideline aims to promote the safety and soundness of financial institutions by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Company is currently working towards full compliance with the guideline by 2017.

BNM guideline on Operational Risk will be effective on 10 May 2018. The guideline sets out the regulatory expectations for the management of operational risk by financial institutions. It aims to strengthen the governance, framework and processes for managing operational risk within financial institutions. Emphasis is also given to effective coordination in the management of operational risk with that of other risks (e.g. credit and market risks) to provide a holistic and integrated approach to a financial institution's overall risk management strategy. The Company is currently working towards full compliance with the guideline.

Capital Management Framework

The Company's capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with sufficient buffer to meet obligations to policyholders and regulatory requirements and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Capital Management Framework (cont'd.)

Under the Risk-Based Capital for Insurers ("RBC") Framework, the insurer has to maintain a capital adequacy level that commensurate with its risk profiles. The Capital Adequacy Ratio of the Company remained well above the minimum capital requirement of 130% under the RBC Framework regulated by Bank Negara Malaysia (BNM).

The Internal Capital Adequacy Assessment Process ("ICAAP") Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position.

Capital management and contingencies policies were further developed and refined under the Framework to outline the approaches and principles under which the Company's capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement has been established to outline the Company's capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the Company's exposure to the insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no major change to the Company's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance Risk

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

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of assumptions affecting insurance risk include policy cancellations and policy claims.

The Company works closely with reinsurers to put in place a prudent underwriting policy to ensure appropriate risk classification and premium levels. The Company's reinsurance management strategy and policy are reviewed annually by the SMT and BRMC, and approved by the Board. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only foreign reinsurers meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, or legally set up local reinsurers are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

The SMT reviews the claims trends and experience, as well as expenses to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the general insurance fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment and loss ratios.

Risks under general insurance policies usually cover a twelve-month duration. The risk inherent in general insurance contracts is reflected in the insurance contract liabilities which include the premium and claim liabilities, as set out under Note 11 of the financial statements. The premium liabilities comprise the higher of unearned premium reserves (UPR) or unexpired risk reserve (URR), while the claim liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 30(A1): The table below shows the concentration of premium liabilities by class of business:

	Gross premium liabilities RM	Reinsurance premium liabilities RM	Net premium liabilities RM
31 December 2016			
Fire	48,237,109	(27,835,283)	20,401,826
Motor	56,641,703	(2,103,699)	54,538,004
Marine, Aviation and Transit	15,307,035	(14,615,136)	691,899
Workmen's Compensation	762,060	123,171	885,231
Personal Accident and Health	40,739,149	(2,261,354)	38,477,795
Others	27,206,711	(12,777,553)	14,429,158
	188,893,767	**(59,469,854)**	**129,423,913**
31 December 2015			
Fire	48,538,870	(30,755,675)	17,783,195
Motor	63,845,403	(5,228,724)	58,616,679
Marine, Aviation and Transit	18,736,130	(16,254,397)	2,481,733
Workmen's Compensation	931,599	80,710	1,012,309
Personal Accident and Health	37,118,790	(3,942,673)	33,176,117
Others	33,042,985	(18,123,067)	14,919,918
	202,213,777	**(74,223,826)**	**127,989,951**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 30(A2): The table below shows the concentration of claim liabilities by class of business:

	Gross claims liabilities RM	Reinsurance claims liabilities RM	Net claims liabilities RM
31 December 2016			
Fire	77,126,976	(61,553,797)	15,573,179
Motor	138,323,537	(6,354,156)	131,969,381
Marine, Aviation and Transit	14,786,945	(12,658,685)	2,128,260
Workmen's Compensation	558,593	(11,451)	547,142
Personal Accident and Health	37,483,434	(6,012,725)	31,470,709
Others	129,210,881	(104,492,034)	24,718,847
	397,490,366	**(191,082,848)**	**206,407,518**
31 December 2015			
Fire	64,076,740	(52,322,590)	11,754,150
Motor	153,674,084	(6,237,517)	147,436,567
Marine, Aviation and Transit	5,824,786	(3,198,023)	2,626,763
Workmen's Compensation	1,018,368	(33,449)	984,919
Personal Accident and Health	35,484,562	(4,392,122)	31,092,440
Others	144,506,017	(118,195,916)	26,310,101
	404,584,557	**(184,379,617)**	**220,204,940**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

The general insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claim liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of general insurance contracts is mitigated by emphasising diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, income statement and shareholders' equity.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 30(A3): The table below shows the insurance risk sensitivity analysis:

	Changes in variables	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2016					
Increase/(decrease):					
Claim liabilities	+20%	79,498	41,282	(41,282)	(31,374)
	-20%	(79,498)	(41,282)	41,282	31,374
Premium liabilities	+20%	37,779	25,885	(25,885)	(19,672)
	-20%	(37,779)	(25,885)	25,885	19,672
PRAD margin	+20%	1,411	2,442	(2,442)	(1,856)
	-20%	(1,411)	(785)	785	597
Selected loss ratio (for latest year)	+20%	89,127	69,841	(69,841)	(53,079)
	-20%	(14,718)	(9,928)	9,928	7,546
Claims handling expenses	+20%	280	7,693	(7,693)	(5,847)
	-20%	(280)	(272)	272	207

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Table 30(A3): The table below shows the insurance risk sensitivity analysis: (cont'd.)

	Changes in variables	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2015					
Increase/(decrease):					
Claim liabilities	+20%	80,917	44,041	(44,041)	(33,031)
	-20%	(80,917)	(44,041)	44,041	33,031
Premium liabilities	+20%	40,443	25,598	(25,598)	(19,199)
	-20%	(40,443)	(25,598)	25,598	19,199
PRAD margin	+20%	2,649	2,184	(2,184)	(1,638)
	-20%	(1,235)	(1,456)	1,456	1,092
Selected loss ratio (for latest year)	+20%	62,827	55,548	(55,548)	(41,661)
	-20%	(17,508)	(10,151)	10,151	7,613
Claims handling expenses	+20%	411	403	(403)	(302)
	-20%	(390)	(403)	403	302

** The impact on equity reflects the after tax impact.*

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

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table

Table 30(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2016:

Accident year	Note	Prior 2009 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	Total RM
At the end of accident year		2,310,693,997	127,455,539	113,500,585	207,936,334	162,618,716	295,811,820	217,630,111	269,295,799	244,156,621	
One year later		637,360,855	134,536,325	158,805,737	230,182,139	174,527,552	263,352,963	225,821,390	276,962,671		
Two years later		633,338,343	197,590,558	155,353,123	173,307,559	171,765,873	223,135,903	222,266,868			
Three years later		1,195,970,619	194,022,082	147,218,068	168,756,254	165,343,460	223,225,979				
Four years later		1,183,971,931	184,522,218	144,152,973	165,307,073	165,300,210					
Five years later		1,188,876,685	179,284,973	142,672,826	164,406,812						
Six years later		1,263,481,710	178,522,264	136,169,463							
Seven years later		1,260,232,403	174,328,029								
Eight years later		1,241,401,196									
Nine years later											
Current estimate of cumulative claims incurred		**1,241,401,196**	**174,328,029**	**136,169,463**	**164,406,812**	**165,300,210**	**223,225,979**	**222,266,868**	**276,962,671**	**244,156,621**	**2,848,217,849**
At the end of accident year		1,655,331,947	55,111,531	53,860,911	76,681,802	84,564,888	84,240,032	73,154,298	83,570,279	98,182,269	
One year later		544,189,668	96,821,183	114,628,952	132,395,382	128,798,809	156,452,886	174,994,471	172,691,659		
Two years later		559,630,736	162,261,600	128,883,888	150,216,318	145,439,416	176,365,323	191,501,008			
Three years later		1,112,311,088	168,059,179	132,914,213	154,627,191	152,795,580	181,719,689				
Four years later		1,128,839,189	172,879,129	134,804,294	157,332,154	155,291,832					
Five years later		1,155,342,295	173,232,040	135,255,528	158,313,856						
Six years later		1,177,316,575	173,889,556	135,441,686							
Seven years later		1,171,543,670	174,103,802								
Eight years later		1,183,481,682									
Nine years later											
Cumulative payments to-date		**1,183,481,682**	**174,103,802**	**135,441,686**	**158,313,856**	**155,291,832**	**181,719,689**	**191,501,008**	**172,691,659**	**98,182,269**	**2,450,727,483**
Gross general insurance contract liabilities per Balance Sheet	*11(i)*	**57,919,514**	**224,227**	**727,777**	**6,092,956**	**10,008,378**	**41,506,290**	**30,765,860**	**104,271,012**	**145,974,352**	**397,490,366**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 30(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2016:

Accident year	Note	Prior 2009 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	2016 RM	Total RM
At the end of accident year		1,363,730,591	75,515,734	81,247,277	158,310,475	123,588,391	196,908,860	143,087,271	145,035,562	161,232,198	
One year later		351,213,423	80,520,772	119,859,290	177,713,437	135,107,857	136,318,215	145,511,345	140,734,729		
Two years later		349,418,061	131,677,937	118,685,939	123,785,406	131,057,646	130,955,203	143,940,527			
Three years later		784,139,767	129,038,909	113,403,560	123,538,770	127,734,661	131,676,353				
Four years later		776,629,376	122,635,954	111,666,146	118,094,509	128,031,294					
Five years later		768,575,778	117,605,699	109,709,189	118,148,484						
Six years later		829,539,954	117,622,454	106,435,490							
Seven years later		841,731,802	115,112,346								
Eight years later		821,127,068									
Nine years later											
Current estimate of cumulative claims incurred		**821,127,068**	**115,112,346**	**106,435,490**	**118,148,484**	**128,031,294**	**131,676,353**	**143,940,527**	**140,734,729**	**161,232,198**	**1,866,438,489**
At the end of accident year		916,389,128	40,625,670	44,156,291	58,187,492	77,160,971	66,467,272	62,727,289	60,500,671	78,497,674	
One year later		304,049,938	63,790,870	91,629,441	97,624,197	106,827,704	109,522,813	118,472,967	109,461,689		
Two years later		311,690,240	107,046,237	101,284,277	107,972,263	117,967,522	119,998,811	130,143,838			
Three years later		732,438,767	112,073,024	104,489,554	111,165,388	121,691,972	122,486,678				
Four years later		740,116,411	113,834,192	105,540,058	112,897,673	123,058,168					
Five years later		750,183,212	114,273,707	105,801,826	113,365,930						
Six years later		760,634,865	114,799,053	105,874,082							
Seven years later		762,026,812	114,838,635								
Eight years later		762,304,277									
Nine years later											
Cumulative payments to-date		**762,304,277**	**114,838,635**	**105,874,082**	**113,365,930**	**123,058,168**	**122,486,678**	**130,143,838**	**109,461,689**	**78,497,674**	**1,660,030,971**
Net general insurance contract liabilities per Balance Sheet	*11(i)*	**58,822,791**	**273,711**	**561,408**	**4,782,554**	**4,973,126**	**9,189,675**	**13,796,689**	**31,273,040**	**82,734,524**	**206,407,518**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 30(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date:

Gross General Insurance Contract Liabilities For 2015:

Accident year	Note	Prior 2008 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	Total RM
At the end of accident year		1,685,224,995	84,319,887	127,455,539	113,500,585	207,936,334	162,618,716	295,811,820	217,630,111	269,295,799	
One year later		541,149,115	89,851,605	134,536,325	158,805,737	230,182,139	174,527,552	263,352,963	225,821,390		
Two years later		547,509,250	89,296,407	197,590,558	155,353,123	173,307,559	171,765,873	223,135,903			
Three years later		544,041,936	152,032,387	194,022,082	147,218,068	168,756,254	165,343,460				
Four years later		1,043,938,232	149,543,488	184,522,218	144,152,973	165,307,073					
Five years later		1,034,428,443	144,332,510	179,284,973	142,672,826						
Six years later		1,044,544,175	140,163,094	178,522,264							
Seven years later		1,123,318,616	137,517,273								
Eight years later		1,122,715,130									
Nine years later											
Current estimate of cumulative claims incurred		**1,122,715,130**	**137,517,273**	**178,522,264**	**142,672,826**	**165,307,073**	**165,343,460**	**223,135,903**	**225,821,390**	**269,295,799**	**2,630,331,118**
At the end of accident year		1,161,943,071	35,273,501	55,111,531	53,860,911	76,681,802	84,564,888	84,240,032	73,154,298	83,570,279	
One year later		458,115,375	70,726,209	96,821,183	114,628,952	132,395,382	128,798,809	156,452,886	174,994,471		
Two years later		473,463,459	77,849,031	162,261,600	128,883,888	150,216,318	145,439,416	176,365,323			
Three years later		481,781,705	133,152,428	168,059,179	132,914,213	154,627,191	152,795,580				
Four years later		979,158,660	135,511,034	172,879,129	134,804,294	157,332,154					
Five years later		993,328,155	135,884,213	173,232,040	135,255,528						
Six years later		1,019,458,082	136,450,375	173,889,556							
Seven years later		1,040,866,200	135,636,715								
Eight years later		1,035,906,955									
Nine years later											
Cumulative payments to-date		**1,035,906,955**	**135,636,715**	**173,889,556**	**135,255,528**	**157,332,154**	**152,795,580**	**176,365,323**	**174,994,471**	**83,570,279**	**2,225,746,561**
Gross general insurance contract liabilities per Balance Sheet	*11(i)*	**86,808,175**	**1,880,558**	**4,632,708**	**7,417,298**	**7,974,919**	**12,547,880**	**46,770,580**	**50,826,919**	**185,725,520**	**404,584,557**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Insurance Risk (cont'd.)

Claims Development Table (cont'd.)

Table 30(A4): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date (cont'd.):

Net General Insurance Contract Liabilities For 2015:

Accident year	Note	Prior 2008 RM	2008 RM	2009 RM	2010 RM	2011 RM	2012 RM	2013 RM	2014 RM	2015 RM	Total RM
At the end of accident year		997,227,454	59,617,554	75,515,734	81,247,277	158,310,475	123,588,391	196,908,860	143,087,271	145,035,562	
One year later		306,885,583	63,222,472	80,520,772	119,859,290	177,713,437	135,107,857	136,318,215	145,511,345		
Two years later		287,990,951	62,359,163	131,677,937	118,685,939	123,785,406	131,057,646	130,955,203			
Three years later		287,058,898	111,099,506	129,038,909	113,403,560	123,538,770	127,734,661				
Four years later		673,040,261	110,276,199	122,635,954	111,666,146	118,094,509					
Five years later		666,353,177	103,730,874	117,605,699	109,709,189						
Six years later		664,844,904	101,117,302	117,622,454							
Seven years later		728,422,652	99,144,312								
Eight years later		742,587,490									
Nine years later											
Current estimate of cumulative claims incurred		**742,587,490**	**99,144,312**	**117,622,454**	**109,709,189**	**118,094,509**	**127,734,661**	**130,955,203**	**145,511,345**	**145,035,562**	**1,736,394,725**
At the end of accident year		642,010,743	29,149,191	40,625,670	44,156,291	58,187,492	77,160,971	66,467,272	62,727,289	60,500,671	
One year later		245,229,194	50,786,581	63,790,870	91,629,441	97,624,197	106,827,704	109,522,813	118,472,967		
Two years later		253,263,357	54,923,512	107,046,237	101,284,277	107,972,263	117,967,522	119,998,811			
Three years later		256,766,728	95,781,935	112,073,024	104,489,554	111,165,388	121,691,972				
Four years later		636,656,832	97,564,250	113,834,192	105,540,058	112,897,673					
Five years later		642,552,161	97,851,272	114,273,707	105,801,826						
Six years later		652,331,940	98,564,962	114,799,053							
Seven years later		662,069,903	98,646,808								
Eight years later		663,380,004									
Nine years later											
Cumulative payments to-date		**663,380,004**	**98,646,808**	**114,799,053**	**105,801,826**	**112,897,673**	**121,691,972**	**119,998,811**	**118,472,967**	**60,500,671**	**1,516,189,785**
Net general insurance contract liabilities per Balance Sheet	*11(i)*	**79,207,486**	**497,504**	**2,823,401**	**3,907,363**	**5,196,836**	**6,042,689**	**10,956,392**	**27,038,378**	**84,534,891**	**220,204,940**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks

Market risk arises when the market value of assets do not move consistently as the financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund and the General Insurance Fund. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement as well as approving hedging strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company’s risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

(i) Interest Rate Risk

The Company is exposed to interest rate risk through investments in fixed income instruments in both the Shareholder's Fund and the General Insurance Fund. Since the Shareholder's Fund and General Insurance Fund have exposure to investments in fixed income instruments, it will incur an economic loss when interest rates rise.

(ii) Foreign Currency Risk

IInvestments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. The Company does not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some insurance policies of which premiums are billed and paid in foreign currencies.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(iii) Equity Price Risk

Exposure to equity price risk exists in assets. Asset exposure exists through direct equity investment, where the Company through its investments in the Shareholder's Fund and General Insurance Fund, bears all or most of the volatility in returns and investment performance risk. A robust monitoring process is in place to manage equity risk by activating appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

(iv) Credit Spread Risk

Exposure to credit spread risk exists in the Company’s investments in bonds. Credit spread is the difference between the corporate yields against risk-free rate of similar tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the bonds. A widening in credit spreads will generally result in a fall in the value of the Company’s bond portfolio.

(v) Cash Flow And Liquidity Risks

Cash flow and liquidity risks arise when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. 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 asset-liability 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 Company is exposed to liquidity risk from its insurance contract liabilities when actual claims development deviates from estimated claim liabilities. This is mitigated to some extent through the Company's periodic liability adequacy tests.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Unexpected liquidity demands are managed through a combination of diversification limits, investment strategies and systematic monitoring.

Maturity Profiles

Table 30(B1): The following tables show the maturity profile of the company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis:

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

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
31 December 2016						
Investments:						
LAR	48,410,839	28,016,149	23,448,601	127,211	-	51,591,961
AFS	556,888,598	46,904,255	305,377,841	343,105,628	41,550,257	736,937,981
FVTPL	25,066,206	1,418,000	10,671,001	23,636,655	-	35,725,656
Reinsurance assets *	191,082,848	200,053,295	(16,302,882)	(234,904)	7,567,339	191,082,848
Insurance receivables	82,019,972	82,019,972	-	-	-	82,019,972
Other receivables	74,810,046	15,009,049	-	59,800,997	-	74,810,046
Cash and bank balances	18,422,448	18,422,448	-	-	-	18,422,448
Total Financial Assets	**996,700,957**	**391,843,168**	**323,194,561**	**426,435,587**	**49,117,596**	**1,190,590,912**
Insurance contract liabilities *	397,490,366	355,444,976	(35,180,737)	(871,648)	78,097,775	397,490,366
Deposits from reinsurers	1,189,897	1,189,897	-	-	-	1,189,897
Insurance payables	59,174,022	59,174,022	-	-	-	59,174,022
Other payables	39,899,268	35,779,367	-	4,119,901	-	39,899,268
Total Financial Liabilities	**497,753,553**	**451,588,262**	**(35,180,737)**	**3,248,253**	**78,097,775**	**497,753,553**

* Premium liabilities have been excluded from the analysis as they are not contractual obligations.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Maturity Profiles (cont'd.)

Table 30(B1): The following tables show the maturity profile of the company's financial and insurance liabilities and the expected recovery or settlement of financial and insurance assets based on contractual undiscounted cash flow basis (cont'd.):

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities (cont'd.).

	Carrying value RM	Less than 1 year RM	Over 1-5 years RM	Over 5 years RM	No maturity date RM	Total RM
31 December 2015						
Investments:						
LAR	42,342,607	21,458,005	24,460,745	547,801	-	46,466,551
AFS	497,558,221	40,195,720	220,809,733	392,695,547	37,293,015	690,994,015
FVTPL	19,484,120	1,151,000	23,939,188	-	-	25,090,188
Reinsurance assets *	184,379,617	192,557,087	(18,929,803)	3,206,030	7,546,303	184,379,617
Insurance receivables	102,870,653	102,870,653	-	-	-	102,870,653
Other receivables	89,784,839	18,143,520	-	71,641,319	-	89,784,839
Cash and bank balances	18,947,010	18,947,010	-	-	-	18,947,010
Total Financial Assets	**955,367,067**	**395,322,995**	**250,279,863**	**468,090,697**	**44,839,318**	**1,158,532,873**
Insurance contract liabilities *	404,584,557	334,597,963	(32,554,497)	5,220,696	97,320,395	404,584,557
Deposits from reinsurers	96,917	96,917	-	-	-	96,917
Insurance payables	61,406,135	61,406,135	-	-	-	61,406,135
Other payables	38,453,526	35,721,476	-	2,732,050	-	38,453,526
Total Financial Liabilities	**504,541,135**	**431,822,491**	**(32,554,497)**	**7,952,746**	**97,320,395**	**504,541,135**

* Premium liabilities have been excluded from the analysis as they are not contractual obligations.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Included in other receivables and other payables is the Company's share in the assets and liabilities held under MMIP as disclosed in Note 8 and Note 15. The Company's share of insurance contract liabilities from MMIP are disclosed in Note 11 of the financial statements. These balances have not been offset in the financial statements of the Company as it is the view of the Directors and Management that no legal right of set-off exists. The assets have been contributed in line with the Company's obligations under the Collective Agreement signed on 16 November 1992 and the insurance contract liabilities represent the Company's share of the Pool's insurance contract liabilities arising from insurance contracts underwritten in respect of third party policyholders collectively, under the name of MMIP. Presented below is the Company's net position of its share in the net asset held under the MMIP as at 31 December 2016:

	2016 RM	2015 RM
Assets/(Liabilities):		
Assets:		
- Accumulated cash contributions to MMIP	25,359,477	34,359,477
- Other assets	34,441,520	37,281,842
Total Assets (Note 8)	59,800,997	71,641,319
Liabilities:		
- Insurance payable	(13,004)	(2,912)
- Other payables and provisions	(4,106,897)	(2,729,138)
Total Liabilities (Note 15)	(4,119,901)	(2,732,050)
Net assets held under MMIP	55,681,096	68,909,269
Insurance contract liabilities (Note 11)		
- Claim liabilities	(50,199,451)	(67,974,678)
- Premium liabilities	(4,104,864)	(7,208,744)
	(54,304,315)	(75,183,422)
Net position	**1,376,781**	**(6,274,153)**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Table 30(B2): The following table shows the current/non current classification of assets and liabilities:

	Current* RM	Non-Current RM	Total RM
31 December 2016			
Assets			
Property and equipment	-	26,358,847	26,358,847
Goodwill	-	18,182,598	18,182,598
Investments:			
LAR	27,069,008	21,341,831	48,410,839
AFS	63,113,375	493,775,223	556,888,598
FVTPL	-	25,066,206	25,066,206
Reinsurance assets	259,523,149	(8,970,447)	250,552,702
Insurance receivables	82,019,972	-	82,019,972
Other receivables	15,009,049	59,800,997	74,810,046
Cash and bank balances	18,422,448	-	18,422,448
Total assets	**465,157,001**	**635,555,255**	**1,100,712,256**
Liabilities			
Insurance contract liabilities	(544,338,743)	(42,045,390)	(586,384,133)
Deferred tax liabilities	-	(1,803,904)	(1,803,904)
Deposits from reinsurers	(1,189,897)	-	(1,189,897)
Insurance payables	(59,174,022)	-	(59,174,022)
Provision for taxation	(9,708,006)	-	(9,708,006)
Other payables	(35,779,367)	(4,119,901)	(39,899,268)
Total liabilities	**(650,190,035)**	**(47,969,195)**	**(698,159,230)**
	(185,033,034)	**587,586,060**	**402,553,026**

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

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(v) Cash Flow And Liquidity Risks (cont'd.)

Table 30(B2): The following table shows the current/non current classification of assets and liabilities (cont'd.):

	Current* RM	Non-Current RM	Total RM
31 December 2015			
Assets			
Property and equipment	-	23,937,209	23,937,209
Goodwill	-	18,182,598	18,182,598
Investments:			
LAR	20,490,032	21,852,575	42,342,607
AFS	54,772,811	442,785,410	497,558,221
FVTPL	-	19,484,120	19,484,120
Reinsurance assets	266,780,913	(8,177,470)	258,603,443
Insurance receivables	102,870,653	-	102,870,653
Deferred tax assets	-	205,032	205,032
Other receivables	18,143,520	71,641,319	89,784,839
Cash and bank balances	18,947,010	-	18,947,010
Total assets	**482,004,939**	**589,910,793**	**1,071,915,732**
Liabilities			
Insurance contract liabilities	(536,811,740)	(69,986,594)	(606,798,334)
Deposits from reinsurers	(96,917)	-	(96,917)
Insurance payables	(61,406,135)	-	(61,406,135)
Provision for taxation	(7,806,306)	-	(7,806,306)
Other payables	(35,721,476)	(2,732,050)	(38,453,526)
Total liabilities	**(641,842,574)**	**(72,718,644)**	**(714,561,218)**
	(159,837,635)	**517,192,149**	**357,354,514**

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

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk through (i) investment in cash, deposits and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk, and are reviewed on a regular basis. The creditworthiness of reinsurers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information (refer to Tables 30(C1), (C2) and (C3)).

Treaty reinsurance is placed with counterparties that have good rating while facultative reinsurance is placed with counterparties that have been carefully selected via internal guidelines to minimise credit risk.

Credit risk in respect of non-payment of premiums past the grace period is being actively monitored.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure

Table 30(C1): The table below shows the maximum exposure to credit risk for the components of the balance sheet and items such as future commitments by funds.

	Insurance Fund RM	Shareholder's Fund RM	Total RM
31 December 2016			
LAR:			
Loans	16,453,000	5,007,839	21,460,839
Fixed and call deposits	25,350,000	1,600,000	26,950,000
AFS financial assets:			
Malaysian government securities	37,891,520	-	37,891,520
Debt securities	411,734,182	65,712,639	477,446,821
FVTPL:			
Debt securities	20,717,561	4,242,795	24,960,356
Reinsurance assets	250,552,702	-	250,552,702
Insurance receivables	82,019,972	-	82,019,972
Other receivables	74,059,290	750,756	74,810,046
Cash and bank balances	17,991,124	431,324	18,422,448
	936,769,351	**77,745,353**	**1,014,514,704**
31 December 2015			
LAR:			
Loans	16,952,630	5,009,977	21,962,607
Fixed and call deposits	19,900,000	480,000	20,380,000
AFS financial assets:			
Malaysian government securities	77,709,636	3,326,670	81,036,306
Debt securities	317,521,136	61,707,764	379,228,900
FVTPL:			
Debt securities	16,549,361	2,874,568	19,423,929
Reinsurance assets	258,603,443	-	258,603,443
Insurance receivables	102,870,653	-	102,870,653
Other receivables	88,718,783	1,066,056	89,784,839
Cash and bank balances	18,646,870	300,140	18,947,010
	917,472,512	**74,765,175**	**992,237,687**

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating

Table 30(C2): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties:

	Neither past-due nor impaired					
	Government guaranteed/ Investment grade* RM (BBB - AAA)	Non-investment grade* RM (C to BB)	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
31 December 2016						
LAR:						
Loans	20,031,355	-	1,429,484	-	-	21,460,839
Fixed and call deposits	26,950,000	-	-	-	-	26,950,000
AFS financial investments:						
Malaysian government securities	37,891,520	-	-	-	-	37,891,520
Debt securities	388,864,448	-	88,582,373	-	-	477,446,821
Equity securities	-	-	-	41,550,257	-	41,550,257
FVTPL:						
Debt securities	24,960,356	-	-	-	-	24,960,356
Equity securities	-	-	-	105,850	-	105,850
Reinsurance assets	247,453,698	-	3,099,004	-	-	250,552,702
Insurance receivables	3,651,587	-	42,154,387	-	36,213,998	82,019,972
Other receivables	11,553,326	-	63,256,720	-	-	74,810,046
Cash and bank balances	18,422,448	-	-	-	-	18,422,448
	779,778,738	**-**	**198,521,968**	**41,656,107**	**36,213,998**	**1,056,170,811**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*
** *An aging analysis for financial assets past due is provided on page 138.*

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

Credit Exposure (cont'd.)

Credit Exposure By Credit Rating (cont'd.)

Table 30(C2): The table below provides information regarding the credit risk exposures of the Company by classifying assets according to the credit ratings of counterparties (cont'd.):

	Neither past-due nor impaired					
	Government guaranteed/ Investment grade* RM (BBB - AAA)	Non-investment grade* RM (C to BB)	Not rated RM	Not subject to credit risk RM	Past-due** RM	Total RM
31 December 2015						
LAR:						
Loans	20,039,909	-	1,922,698	-	-	21,962,607
Fixed and call deposits	20,380,000	-	-	-	-	20,380,000
AFS financial investments:						
Malaysian government securities	81,036,306	-	-	-	-	81,036,306
Debt securities	321,331,667	-	57,897,233	-	-	379,228,900
Equity securities	-	-	-	37,293,015	-	37,293,015
FVTPL:		-				
Debt securities	19,423,929		-	-	-	19,423,929
Equity securities	-	-	-	60,191	-	60,191
Reinsurance assets	250,620,705	-	7,982,738	-	-	258,603,443
Insurance receivables	23,502,997	-	36,381,411	-	42,986,246	102,870,654
Other receivables	13,098,766	-	76,686,073	-	-	89,784,839
Cash and bank balances	18,947,010	-	-	-	-	18,947,010
	768,381,289	**-**	**180,870,153**	**37,353,206**	**42,986,246**	**1,029,590,894**

* *Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.*
** *An aging analysis for financial assets past due is provided on page 138.*

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) <u>Credit Risk (cont'd.)</u>

Credit Exposure (cont'd.)

<u>Credit Exposure By Credit Rating (cont'd.)</u>

Table 30(C3): The table below provides aging analysis of financial assets that are past due at the balance sheet date:

<u>Aging Analysis of financial assets past due:</u>

	Past-due but not impaired							
	<30 days RM	31 to 60 days RM	61 to 90 days RM	91 to 180 days RM	More than 180 days RM	Total RM	Past due and impaired RM	Total past due RM
31 December 2016								
Insurance Receivables	6,334,544	6,562,427	6,712,389	8,980,412	7,624,226	36,213,998	16,068,776	52,282,774
31 December 2015								
Insurance Receivables	10,620,563	6,509,451	6,014,268	11,319,012	8,522,952	42,986,246	16,583,569	59,569,815

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

Receivables that are past due but not impaired are unsecured in nature.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(vi) Credit Risk (cont'd.)

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. The Company monitors the market value of the collateral, request additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the Company as lender, for which it is entitled to sell or pledge in the event of default is as follows:

	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
2016			
Mortgage loans	Properties	155,018	155,018
Secured loans			
- Vehicle loans	Vehicle	1,273,546	1,273,546
- Other loans	Other	919	919
- Government guaranteed loans	Nil	20,031,355	20,078,315
		21,460,838	**21,507,798**
2015			
Mortgage loans	Properties	198,403	198,403
Secured loans			
- Vehicle loans	Vehicle	1,720,943	1,720,943
- Other loans	Other	3,351	3,351
- Government guaranteed loans	Nil	20,039,908	20,078,315
		21,962,605	**22,001,012**

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

(vii) Concentration Risk

An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Market And Credit Risks (cont'd.)

(viii) Sensitivity Analysis On Financial Risks

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value of financial assets held in Shareholder's Fund.

The table below shows the market risk sensitivity analysis:

		31 December 2016		31 December 2015	
	Changes in variable	Impact on profit after taxation RM'000	Impact on equity* RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
Equity (KLCI)	+20%	-	6,101	-	5,603
	-20%	-	(6,101)	-	(5,603)
Interest rate	Yield curve +100 bps	(2,673)	(23,505)	1,958	(21,673)
	Yield curve -100 bps	2,673	25,532	(1,958)	23,890
Credit spread	Spread +100 bps	-	(18,593)	-	(16,853)
	Spread -100 bps	-	20,403	-	18,608

** The impact on equity reflects the after tax impact, when applicable.*

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Operational And Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing insurance business and financial activities undertaken by the Company

- Codes of practice promoted by industry associations

- Internal standards and guidelines

The day-to-day management of operational and compliance risk is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational and compliance risk.

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Technology Risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the Company objectives resulting from inadequate or failed technology controls, processes or human behaviour.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

Fair Values Of Financial Assets And Liabilities

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Fair Values Of Financial Assets And Liabilities (cont'd.)

	Quoted market price (Level 1) RM	Valuation technique using observable inputs (Level 2) RM	Total RM
31 December 2016			
Financial assets			
AFS financial assets:			
Malaysian government securities	-	37,891,520	37,891,520
Debt securities	-	477,446,821	477,446,821
Equity securities	40,052,489	-	40,052,489
Unit and property trust funds	1,497,768	-	1,497,768
FVTPL financial assets:			
Debt securities	-	24,960,356	24,960,356
Equity securities	105,850	-	105,850
	41,656,107	**540,298,697**	**581,954,804**
31 December 2015			
Financial assets			
AFS financial assets:			
Malaysian government securities	-	81,036,306	81,036,306
Debt securities	-	379,228,900	379,228,900
Equity securities	37,293,015	-	37,293,015
FVTPL financial assets:			
Debt securities	-	19,423,929	19,423,929
Equity securities	60,191	-	60,191
	37,353,206	**479,689,135**	**517,042,341**

Valuation Techniques

The following is a description of the method by which the fair values of financial instruments which are recorded at fair value are determined using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments:

30. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Fair Values Of Financial Assets And Liabilities (cont'd.)

Valuation techniques (cont'd.)

AFS/FVTPL Financial Assets

The fair value of equity financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets at the close of business on the balance sheet date.

Investments in financial instruments with embedded derivatives consist of investments in convertible bond and structured deposits. The fair value of convertible bond is determined by reference to quoted market bid prices for assets at the close of business on the balance sheet date. For structured deposits, the fair value is determined by reference to banks' valuation at the close of business on the balance sheet date.

For investment in quoted unit and real estate investment trusts, fair values are determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted fixed income securities, the estimated fair value are based on prices quoted by a bond pricing agency ("BPA").

31. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2016, as prescribed under the Risk Based Capital Framework is provided below:

	2016 RM	2015 RM
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	251,252,050	214,307,812
	351,252,050	314,307,812
Tier 2 Capital:		
Eligible Reserves	4,416,856	3,480,405
Deductions	(18,182,598)	(18,418,740)
Total Capital Available	**337,486,308**	**299,369,477**

32. CONTINGENT LIABILITIES

On 18 August 2010, the Company entered into a Sale and Purchase Agreement ("SPA" or the "Agreement") with Tahan Insurance Malaysia Berhad (now known as Tahan Malaysia Berhad) ("Tahan") to acquire certain assets and liabilities of general insurance business of Tahan.

On 1 January 2011, the Company completed the acquisition of certain assets and liabilities of the general insurance business of Tahan for a cash consideration of RM15 million, subject to adjustments to be made to the value of the acquired assets and liabilities upon finalisation of the acquisition.

In order to ascertain the adequacy of the claim liabilities of Tahan, especially the IBNR claims reserve as at 31 December 2010, the Company and Tahan had each appointed independent professional actuaries to provide an estimate of the total claim liabilities. Different views arose on the value to be ascribed to the IBNR component of total claim liabilities. The Company's independent professional actuary estimated the value of the IBNR claims of Tahan as at 31 December 2010 to be approximately RM46.5 million, which was higher than the value estimated by Tahan's independent professional actuary and used as the basis for determining the value of the IBNR claim liabilities as at the acquisition date.

On 29 December 2011, Tahan, via an appointed legal counsel, served an originating summons in the High Court of Malaya in Kuala Lumpur, making a claim against the Company for an amount of approximately RM21.8 million plus interest of 8% per annum.

On 22 February 2012, the High Court of Malaya in Kuala Lumpur approved the Company's application for a stay of proceedings and the Company commenced action through arbitration. Both parties had agreed to leave the appointment of the arbitrator to the Kuala Lumpur Regional Centre for Arbitration ("KLRCA").

The appointment of the arbitrator was made by Kuala Lumpur Regional Centre for Arbitration ("KLRCA") on 7 January 2013. Since the appointment of the arbitrator, hearings were held between the Company, Tahan and the arbitrator.

On 24 November 2016, the arbitrator allowed OACM and Tahan, two months to negotiate and finalise the Terms of Settlement, which involve the appointment of the Completion Actuary ("Terms of Settlement"). Arising from the hearing on 24 January 2017, the Company has been directed to write to the Arbitrator on 15 March 2017 with an update on the progress of settlement negotiations.

32. CONTINGENT LIABILITIES (CONT'D.)

The Directors of the Company are of the view that any possible obligation that may arise in respect of the disagreement between Tahan and the Company will be confirmed only by the outcome of the arbitration. The amount of the obligation, if any, cannot be measured with sufficient reliability as it is dependent on the assessment to be made by the independent actuary to be appointed by KLRCA.

The final outcome of the Terms of Settlement may have an impact on the purchase considerations and income statements of the Company should the IBNR claims reserve estimated by the Company on the date of acquisition differs materially from the assessment of the independent actuary appointed by KLRCA.

33. SUBSEQUENT EVENT

On 22 February 2017, the Malaysian Competition Commission ("MyCC") issued its Proposed Decision on an alleged infringement by the General Insurance Association of Malaysia ("PIAM") and its 22 members under the Section 4(2)(a) of the Competition Act 2010 ("the Act"). MyCC's Proposed Decision is with respect to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") in respect to the trade discount rates for parts of certain vehicle makes and labour rates for workshops under the PIAM Approved Repairers Scheme.

As a result, MyCC has proposed various remedies on the general insurers, including financial penalties amounting to a total of RM213.45 million. The proposed financial penalty on the Company is RM2.95 million.

General insurers have been given until 5 April 2017 to submit written representations to the MyCC and to indicate if they wish to make an oral representation before the MyCC. The MyCC will make its final decision after having considered all representations and available information and evidence.

The Company is in the midst of preparing its representations to the MyCC.

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