Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Financial statements for the year ended 31 December 2016

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2016

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

Principal activities

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of these activities during the financial year.

Results

	RM '000
Profit for the year attributable to shareholders of the Company	42,107
	======

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year under review.

Dividend

Since the end of the previous financial year, the Company has paid a final ordinary dividend of approximately 22.46 sen per ordinary share which is 30% of net profit after tax totaling RM11,455,478 in respect of the year ended 31 December 2015 on 31 May 2016.

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Directors of the Company

Directors who served during the financial year until the date of this report are:

Mr. Toi See Jong
Y. Bhg. Dato Koh Yaw Hui
Mr. Peter Tan Hock Hwee
Mr. Low Shih Nin
Mr. Chee Siew Eng
Mr. Lau Yew Kong
Mr. Gan Leong Hin (Appointed on 9 September 2016)
Y. Bhg. Dato' Muthanna Abdullah (Appointed on 18 July 2016)
Mr. Cheng Tony Kin-Shun (Resigned on 7 January 2016)
En. Ezamshah Ismail (Resigned on 30 June 2016)
Mr. Kwo Shih Kang (Resigned on 11 January 2017)

None of the Directors holding office at 31 December 2016 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 23 to the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Each director of the Company is covered under the Company's Directors and Officers Liability Insurance to the extent of any loss up to an amount of RM5 million. The Senior Management, as Officers of the Company are also covered under this insurance cover with the same limits.

Corporate governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under the Corporate Governance policy document issued by Bank Negara Malaysia ("BNM") on 3 August 2016.

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Corporate governance (continued)

Board, Audit, Risk Management, Nomination, Remuneration and Investment Committees

i. Membership and meetings of the Board Committees

Director	**Board**	**Audit**	**Risk Management**	**Nomination**	**Remuneration**	**Investment**
	(Attendance / Number of Meetings)					
Mr. Toi See Jong *(Non-Independent Non-Executive Director)*	Chairman (6/6)	-	Member (4/4)	-	-	Chairman (2/2)
Y. Bhg. Dato Koh Yaw Hui *(Non-Independent Non-Executive Director)*	Member (6/6)	-	-	Member (5/6)	Member (2/2)	-
Mr. Peter Tan Hock Hwee *(Non-Independent Non-Executive Director)*	Member (6/6)	Member (5/5)	-	Member (6/6)	-	-
Mr. Low Shih Nin *(Non-Independent Non-Executive Director)*	Member (6/6)	-	Member (4/4)	-	Member (1/1)	-
Mr. Chee Siew Eng *(Independent Non-Executive Director)*	Member (6/6)	Member (5/5)	Chairman (4/4)	Member (6/6)	Member (2/2)	-
Mr. Lau Yew Kong *(Independent Non-Executive Director)* *(Appointed to the Risk Management, Nomination and Remuneration Committee on 21 September 2016)*	Member (6/6)	Chairman (5/5)	Member (1/1)	Member (1/1)	Member (1/1)	Member (2/2)

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Corporate governance (continued)

Board, Audit, Risk Management, Nomination, Remuneration and Investment Committees (continued)

i. Membership and meetings of the Board Committees (continued)

Director	Board	Audit	Risk Management	Nomination	Remuneration	Investment
	(Attendance / Number of Meetings)					
En. Ezamshah Ismail *(Independent Non-Executive Director)* *(Resigned on 30 June 2016)*	Member (3/3)	Member (2/2)	Member (2/2)	Chairman (3/3)	Chairman (1/1)	-
Mr. Kwo Shih Kang *(Non-Independent Non-Executive Director)* *(Resigned on 11 January 2017)*	Member (6/6)	-	-	Member (5/5)	Member (1/1)	-
Mr. Gan Leong Hin *(Non-Independent Non-Executive Director)* *(Appointed to the Board and the Audit Committee on 9 September 2016)*	Member (2/2)	Member (0/1)	-	-	-	-
Y. Bhg. Dato' Muthanna Abdullah *(Independent Non-Executive Director)* *(Appointed to the Board, the Risk Management, Audit, Nomination and Remuneration Committee on 18 July 2016)*	Member (3/3)	Member (2/2)	Member (2/2)	Chairman (3/3)	Chairman (1/1)	-

Corporate governance (continued)

ii. Profile of Directors

The following are the profiles of the Directors of the Company:

MR. TOI SEE JONG
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Toi See Jong, aged 59, male, was appointed to the Board of the Company on 4 September 2013. Mr. Toi is a business leader with more than 27 years of insurance industry and consultancy experience in leading and managing organizations in various stages of its developments and in many different countries.

He is currently Chief Executive Officer of Tokio Marine Life, where he was appointed in September 2011. He was previously elected as the Regional Director of Prudential Corporation Asia in April 2010 where he was responsible for acquiring new Prudential partnerships as well as managing and developing regional bank partnerships in Asia.

During his tenure as the Chief Executive Officer in UOB Life beginning in July 2008, Mr. Toi successfully formulated a 3-year strategic business plan to develop its bancassurance opportunity with UOB bank. Prior to that, he was a Life Division General Manager of NTUC Income in April 2007, the Country General Manager of Heng An Standard Life in November 2003 and the Chief Executive Officer of Mayban Life in October 1994.

Mr. Toi is a Fellow of the Faculty of Actuaries, Scotland since 1992 and sits on the Board of The Malaysian Insurance Institute, L.I.A.M. Property Sdn. Bhd. And L.I.A.M. Holding Sdn. Bhd.

Y. BHG. DATO KOH YAW HUI
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato Koh Yaw Hui, aged 54, male, was appointed to the Board of the Company on 1 June 2012. Dato' Koh joined Great Eastern Malaysia in April 2002 as the Senior Vice President, Agency Management. He was appointed as the Deputy Chief Executive Officer of Great Eastern Life Assurance (Malaysia) Berhad (GELM) in February 2007, and subsequently as the CEO of GELM in January 2008.

Before joining Great Eastern, Dato' Koh was appointed as the Regional Retail Manager in Shell Malaysia Trading in June 1994 where he implemented many new initiatives such as marketing management, dealers training and counselling, staff management and enforcement of standards and services.

Dato Koh is a Board Member of Great Eastern Capital (Malaysia) Sdn. Bhd., Overseas Assurance Corporation (Holdings) Bhd., I-Great Capital Holdings Sdn. Bhd., L.I.A.M. Holdings Sdn. Bhd. And L.I.A.M. Property Sdn. Bhd.

Corporate governance (continued)

ii. Profile of Directors (continued)

MR. GAN LEONG HIN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Gan Leong Hin, aged 58, male, was appointed to the Board of the Company on 9 September 2016. He joined Prudential Assurance Malaysia Berhad ("PAMB") in 2013 as the Chief Financial Officer and later assumed the position of Chief Executive Officer of PAMB on 26 November 2015.

Mr. Gan is a qualified actuary who has more than 25 years of experience in the life insurance and investment businesses in Asia, Australia and the U.K. He has held senior management roles across a range of business lines including product management and marketing, risk management, financial reporting, valuation, corporate finance and restructuring.

Mr. Gan graduated from the London School of Economics with first-class honours and is a Fellow of the Institute of Actuaries in UK and Australia. He is a Board Member of Prudential Assurance Malaysia Bhd. And Prudential BSN Takaful Bhd.

MR. PETER TAN HOCK HWEE
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Peter Tan Hock Hwee, aged 55, male, was appointed to the Board of the Company on 16 May 2011. He is the Chief Operating Officer for Asia at Reinsurance Group of America (RGA). He is also Principal Officer of RGA Global Re Labuan Branch for RGA Global Reinsurance Company Ltd.

Peter joined RGA in 2009 as General Manager for RGA's Hong Kong Branch, which services RGA's clients in Hong Kong and Southeast Asia. He also oversaw business development efforts in the emerging Southeast Asia markets and was Managing Director – Emerging Southeast Asia prior to being named to his current position.

Mr. Peter Tan has more than 35 years of experience in the life insurance and asset management industry. He has a wide range of experience in actuarial, product development and management, sales force development, marketing and general management. He was previously the President and CEO of Manulife Insurance Thailand, Managing Director of Zurich National Life Assurance and Regional Life Actuary – Asia for Zurich Financial Services.

Peter received his Bachelor of Economics degree from Macquarie University and his M.B.A. degree from the Australian Graduate School of Management in Sydney, Australia. He became a Fellow of the Institute of Actuaries of Australia (FIAA) in 1992. An active member of the insurance profession, Peter has served on the governing bodies of various industry organizations. He currently serves on the Investment and Financial Services Committee of the International Chamber of Commerce – Hong Kong. He also has directorships in RGA Global Shared Services (India) Pty Ltd, RGA International Services Pty Ltd and RGA International Division Sydney Office Pty Ltd.

Corporate governance (continued)

ii. Profile of Directors (continued)

MR. LOW SHIH NIN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Low Shih Nin, aged 49, male, was appointed to the Board of the Company on 8 January 2016. He is currently Senior Vice President, Managing Director – Southeast Asia Markets, Reinsurance Group of America (RGA) Reinsurance Company and leads RGA's strategic growth and development throughout RGA's Southeast Asia region, which encompasses Singapore, Malaysia, Indonesia, Thailand, the Philippines, Vietnam, and Taiwan.

Mr. Low has more than 25 years in the life insurance industry and brings significant depth of knowledge and leadership experience. Before joining RGA in 2011, Shih-Nin worked for Nan Shan Life in Taiwan where he held several leadership positions in actuarial, operations, marketing and distribution functions. Prior to joining Nan Shan, he served in actuarial and management roles for AIA Group Limited, both in Malaysia and in the Hong Kong home office.

Mr. Low received his Bachelor of Economics degree with a major in Actuarial Studies from Macquarie University, Sydney, Australia. He is a Fellow of the Society of Actuaries (FSA), a Fellow of the Actuarial Institute of the Republic of China (FAIRC), and a Member of the American Academy of Actuaries (MAAA).

MR. CHEE SIEW ENG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Chee Siew Eng, aged 65, male, was appointed to the Board of the Company on 20 April 2012. He joined Bank Negara Malaysia (BNM) in 1988 as a Senior Executive and was the Deputy Director of the Insurance Regulation Department in BNM prior to his retirement in 2008.

Mr. Chee was engaged as a consultant to assist Perbadanan Insurans Deposit Malaysia (PIDM) in formulating a new framework and legislation for the Insurance Compensation Scheme in Malaysia which was enacted under the Malaysia Deposit Insurance Corporation Act in 2010.

Having 30 years of experience as a regulator of the insurance industry, Mr. Chee was involved in formulating many guidelines, rules and regulations to foster the growth and development of the insurance industry.

Mr. Chee is an Associate member of the Malaysian Insurance Institute as well as the Chartered Insurance Institute, UK (ACII). He sits on the Board of Tune Insurance Malaysia Bhd.

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Corporate governance (continued)

ii. Profile of Directors (continued)

MR. LAU YEW KONG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lau Yew Kong, aged 62, male, was appointed to the Board of the Company on 20 March 2014. Mr. Lau is a qualified chartered accountant with more than 30 years of experience in the investment and stockbroking industry where he had held senior positions including being Senior Director of Equities at Kenanga Investment Bank Berhad (KIBB), Chief Executive Officer at CIMB Futures, Chief Executive Officer at Southern Bank Securities and Chief Executive Officer and Chief Investment Officer at Pheim Asset Management Sdn Bhd.

Mr. Lau holds a Bachelor of Commerce (Hons.) degree and an MBA degree from Australia and is a Fellow of The Institute of Chartered Accountants in Australia.

Y. BHG. DATO' MUTHANNA ABDULLAH
INDEPENDENT NON-EXECUTIVE DIRECTOR

Y. Bhg. Dato' Muthanna Abdullah, aged 57, male, was appointed to the Board of the Company on 18 July 2016.

Dato' Muthanna leads the Aviation and Aerospace practice in Abdullah Chan & Co. In the Aviation sector, he has acted for numerous clients on their acquisition, financing and operation of corporate/private jets and helicopters. He also advises clients on the ownership structures which are tailored to each client's particular usage, tax profile and risk management. He has more than 30 years of experience in law practice, having advised commercial companies, public listed companies and state governments and agencies, privatizations, joint-ventures, corporate structures, offshore investments, and mergers and acquisitions.

Dato' Muthanna graduated from the University of Buckingham, England, and is a Barrister of the Middle Temple, England. He was admitted and enrolled as an advocate and solicitor of the High Court of Malaya in 1984.

Dato' Muthanna sits on the Board of Directors of Sapura Resources Bhd., Malaysian Rating Corporation Bhd., BIB Insurance Brokers Sdn. Bhd., BIB Asia (L) Bhd., Abdullah & Esah Sdn. Bhd., Quarry Ventures Sdn. Bhd., Quarry Ventures Holdings Sdn. Bhd., Siglo Sdn. Bhd., Opcom Cables Sdn. Bhd., Scenic Waters Sdn. Bhd. And IA Synergy Sdn. Bhd.

All the directors of the Company attended the Financial Institutions Directors' Education Programme (FIDE).

Corporate governance (continued)

iii. Responsibilities of the Board Committees

The duties and responsibilities of the Board Committees are as follows:

Audit Committee

(i) To review and report on the adequacy of the scope, functions and resources of the internal audit function and whether it has the necessary authority to carry out its work.

(ii) To review the results of the internal and external audits conducted and the adequacy of actions taken by management on the recommendations of these audit reports.

(iii) To review with the external auditors the audit plan, scope of the audit and the audit findings of the Company.

(iv) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval.

(v) To review the adequacy and effectiveness of internal control systems instituted within the Company.

(vi) To review any related party transactions that may arise within the Company.

(vii) To oversee the overall implementation of the Company's approved policies and procedures and review management's periodic review of them for continued effectiveness.

(viii) To perform any other functions as may be agreed by the Audit Committee and the Board of Directors.

Risk Management Committee

(i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.

(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

(iii) To oversee and ascertain that there are adequate infrastructure, resources and systems in place for an effective risk management and that the personnel responsible for implementing the Company's risk management systems perform those duties independently of the Company's risk taking activities.

(iv) To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Corporate governance (continued)

iii. Responsibilities of the Board Committees (continued)

Risk Management Committee (continued)

(v) To review and assess the risk capital profiles to ensure adequacy of capital available in the insurance and shareholders' equity to support the total capital required as specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.

(vi) To ensure that the investments of insurance funds are in accordance with the approved investment and risk management policy of the Board.

(vii) To perform any other functions in relation to risk management as may be agreed by the Risk Management Committee and the Board of Directors.

Nomination Committee

(i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.

(ii) To recommend and assess the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to Bank Negara Malaysia.

(iii) To establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.

(iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.

(v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.

(vi) To oversee appointment, management succession planning and performance evaluation of key Senior Officers, and recommend to the Board on the removal of key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities.

Corporate governance (continued)

iii. Responsibilities of the Board Committees (continued)

Remuneration Committee

(i) To recommend a framework of remuneration for Directors, Chief Executive Officer and key Senior Officers.

(ii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key Senior Officers.

Investment Committee

(i) To recommend and oversee implementation of policies, guidelines and controls for the investment activities of the Company.

(ii) To monitor the performance of the company’s investments including the performance of external fund managers.

(iii) To review and report to the Board on a regular basis the investment portfolio to ensure compliance with BNM’s guidelines on investment.

(iv) To review and recommend to the Board major investment proposals.

iv. Remuneration framework

Remuneration policy

The remuneration policy for employees of the Company enables the furtherance of the Company’s vision and mission by aligning employee performances with the Company’s short and long term goals. Employee remunerations are supported by a robust performance management system underpinned by the fundamentals of sound risk management, ethics and corporate responsibility. Components within the remuneration structure consist of mandatory elements with the flexibility for combinations of fixed and variable components to ensure effective alignment to the Company’s objectives and relevance to the industry in which it operates.

The Company’s remuneration policy applies to all employees in the Company and revolves around key principles as follows:-

Business oriented

Remunerations are relevant and aligned to the achievement of the Company’s business results. Remunerations are designed in a way that drives employees’ diligence, dedication and competency level towards successful implementation of the Company’s goals and strategies while avoiding any conflict of interests.

Prudent

The remuneration structure and quantum reinforces sustainable, ethical and sound risk management behaviours, as opposed to a short-term view without consideration of long term consequences.

Corporate governance (continued)

iv. Remuneration framework (continued)

Remuneration policy (continued)

Adequate information

Performance assessors must have adequate quantitative and qualitative measurements of an employee's performance before any recommendation on remuneration is made. The assessments upon which remunerations are recommended must be practicable, measureable and objective.

Fair

Remuneration packages must take the Company's business, its financial position, market condition and individual merits into consideration. There must be no discrimination, biased treatment or any form of exploitation in regards to the remuneration packages.

Transparent

There must be clear and timely communication of remuneration linked to the specified job requirements. Employees should be clear on the expectations of their job and seek clarification where necessary.

Remuneration structure

The Company's remuneration structure rewards employees whose job performance and behavior support the objectives of the Company's business. A performance appraisal system is in place to gauge these performances and behaviours. The system incorporates key performance indicators aligned to the employee's job function. Instances of non-compliance with risk procedures and expected behaviours would be taken into account when appraising an employee's performance. If performance criterias are not met, salary increments and/or variable remuneration will be reduced accordingly.

The performance appraisal process is guided by performance management and remuneration policies. Every remuneration recommendation is prepared, approved and recorded appropriately. Where statutory requirements apply, remunerations are submitted accordingly.

The performance appraisal of employees in control functions are not linked to the results of the business activities to ensure their remuneration is determined independent of the business activities they supervise. Their variable remuneration component is set on the basis of the achievement of non-commercial objectives relevant to their positions.

Components within the remuneration structure consist of mandatory elements with the flexibility on the mix of fixed and variable components. The structure is monitored to ensure alignment to the Company's objectives, local employment market and industry. The Company's existing remuneration structure comprise salary (fixed), benefits (fixed), performance bonus (variable) and incentives (variable).

Corporate governance (continued)

iv. Remuneration framework (continued)

Remuneration structure (continued)

Salary

All employees in the Company receive a fixed base salary paid monthly according to position and function. The salary level is evaluated annually with no secured or contractual increment. Increment rates are granted based on performance scoring and position levels. These rates are determined by the Board of Directors taking into consideration the Company's performance, market and industry conditions.

Base salaries for entry level candidates are predetermined and reviewed as and when necessary to remain competitive. Base salaries for experienced candidates are guided by the Company's internal salary scale whilst taking into account the industry's employment market condition.

Benefits

The main purpose of compensation and benefits is to ease employees' burdens as they work for the Company. Key and senior level positions are offered benefits and compensations in order to mitigate key man risks and encourage employee retention. The Company's benefits programme is reviewed as and when the need arises.

Performance Bonus

The Company uses variable cash remuneration in the form of performance bonuses to incentivise and reward high performance employees. The quantum of bonuses granted for the year depend on the performance of the Company's financial and non-financial targets and the employee's performance appraisal.

Incentives

The Company has in place deferred variable cash incentives awarded to key and senior level positions. The incentives serve to reduce key man risk, encourage employee retention and align employee actions to the Company's objectives. The quantum of these incentives depend on the performance of the Company's financial and non-financial targets and the meeting of employees' key performance objectives.

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Corporate governance (continued)

iv. Remuneration framework (continued)

Material risk takers

Material risk takers, as defined by Bank Negara Malaysia in their policy document on Corporate Governance, are employees who may or may not be a member of the senior management and :-

i) 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; or
ii) is among the most highly remunerated officers in the Company.

As defined above, the Company's material risk takers comprise employees in the following roles.

i) Chief Executive Officer (1)
ii) Heads of Departments (4)

Total Value of Remuneration Awards for the financial year	Unrestricted	Deferred		No. of Staff
		Total Paid	Outstanding*	
Fixed Remuneration				
- Cash-based	1,709,964	Nil	Nil	5
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	31,100	Nil	Nil	2
Variable Remuneration				
- Cash-based	603,897	383,571	1,020,291	5
- Shares and share-linked instruments	Nil	Nil	Nil	Nil
- Others	Nil	Nil	Nil	Nil

* Outstanding Deferred Remuneration refers to the amount already vested but not paid as at balance sheet date.

Staff were not exposed to actual derived information of Implicit Adjustments (such as fluctuations in the value of any shares or performance units) and Explicit Adjustments (such as malus, clawbacks or similar reversals or downward revaluations of awards) due to Deferred and Retained Remuneration in the current financial year.

Corporate governance (continued)

v. Internal Control Framework

The Compliance and Risk ("CR") Department is established with the responsibility to manage the Company's Risk and Compliance functions.

The CR Department identifies and communicates to the Risk Management Committee ("RMC") critical risks in terms of exposures and impact on the Company's business and management action plans to manage these risks on an on-going basis. Risks are actively identified, assessed and monitored by the CR Department. Heads of departments, who are specialized and experienced in their respective business areas remain available to provide advice to the CR Department on key risks relevant to their respective operations.

The CR Department ensures that the Company complies with all legal and regulatory requirements applicable to the Company's business activities.

A Compliance framework is in place to facilitate the reporting and monitoring of non-compliance events in the Company. A risk framework is also in place which facilitates the management and monitoring of the Company's risks including an Internal Capital Adequacy Assessment Process ("ICAAP") framework which complies with guidelines issued by BNM. The frameworks are reviewed annually.

The outsourced Internal Audit consultant ("IAC") reviews the Company's compliance programme as well as the effectiveness of the internal control systems. The findings of internal audit are tabled at the Audit Committee ("AC") meetings for deliberation and the AC's expectation on the corrective measures are communicated to the respective Heads of departments. The annual Internal Audit Plan is reviewed by the AC and thereafter recommended to the Board for approval.

Other key elements of the internal control framework

Updates of regulatory guidelines and circulars are circulated to the Chief Executive Officer and Heads of departments for information and to address any gap in operational policies and procedures.

Policies and procedures, which incorporate regulatory and internal requirements, are prescribed in the form of operation manuals and circulars. The manuals are updated as and when necessary.

Operational authority limits as prescribed in the Company's policies and procedures are imposed on Management in respect of key operations covering areas such as pricing, underwriting, claims settlement, premium checking, investments, acquisition and disposal of assets.

Retrocessions where appropriate are undertaken to ensure that the Company's claim risks are sufficiently diversified and mitigated.

Management submits annually a business plan and budget for approval by the Board. The Board reviews quarterly management accounts, which are measured against budgets and the previous year's results to gauge performance.

Risk management reports that highlight the status of identified core risk profiles and any other risk matters are submitted to the RMC and the Board quarterly.

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Corporate governance (continued)

v. Internal Control Framework (continued)

Other key elements of the internal control framework (continued)

Stress tests are performed on the Company's financial position which commensurate with its risk profile and the business environment in line with the Guideline on Stress Testing for Insurers issued by BNM. The stress tests are used as a risk management tool to identify potential threats to the Company's financial health from exceptional but plausible adverse events and to assess its impact on the Company's Individual Target Capital Level. The stress test report and the Individual Target Capital Level assessments are deliberated at the RMC meetings and thereafter recommended for Board approval for submission to BNM.

Management meetings chaired by the Chief Executive Officer are conducted bi-monthly to review financial performance, business development and deliberate on business, management and corporate matters.

A Data Management and Management Information System ("MIS") Framework is formulated in line with the Guidelines on Data Management and MIS Framework issued by BNM. Maintenance of data is performed and reviewed by Heads of departments.

The Investment Committee is responsible for formulating policies, strategies as well as reviewing matters relating to the Company's investment of surplus funds.

The Business Continuity Plan ("BCP") is managed by the CR Department. The BCP is to ensure that the Company suffers minimum interruption to its systems, processes or operations in the event of a disaster. The BCP manual is reviewed at least once a year while the plan is tested twice a year to ensure its relevance. BCP testings are observed by the IAC who provides an independent evaluation of the testing preparation and to highlight any deficiencies noted during the testings. A written assessment report is prepared by the IAC for the Audit Committee's review and the Board's approval before submission to BNM as required under the Guidelines on Business Continuity Management (Revised).

Training and development programmes are conducted to enhance staff competencies and to instill among the team a risk management conscious culture.

There are procedures for hiring and termination of staff. Annual performance appraisals are in place to assess performance and as a basis for staff remuneration awards and career development within the Company.

Issue of shares and debentures

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

There was no debenture issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers,

ii) all known bad debts have been written off and adequate provision made for doubtful debts, and

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

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount of the provision for insurance liabilities inadequate to any substantial extent, or

ii) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or

iii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or

iv) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or

v) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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Other statutory information (continued)

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

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

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

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Kuala Lumpur, Malaysia which holds 70% of the Company's share capital. Its principal activity is that of investment holding.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is RM193,000 for the financial year ended 31 December 2016.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

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Dato Koh Yaw Hui

....

Peter Tan Hock Hwee

Kuala Lumpur,
Date: 28 March 2017

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2016

	Note	2016 RM '000	2015 RM '000 (restated)	1.1.2015 RM '000 (restated)
Assets				
Plant and equipment	4	952	1,362	1,932
Investments	5	377,481	159,168	163,946
- Held-to-maturity investments		4,734	8,267	18,369
- Available-for-sale investments		372,747	-	-
- Financial assets at fair value through profit or loss		-	150,901	145,577
Reinsurance assets	6	158,134	155,647	125,448
Insurance receivables	7	151,302	139,287	118,064
Loans and receivables, excluding insurance receivables	8	3,225	47,133	129,376
Tax recoverable		2,228	-	-
Deferred tax assets	12	2,017	1,394	1,038
Cash and cash equivalents	9	72	128,742	18,135
Total assets		695,411	632,733	557,939
Equity and liabilities				
Share capital	10	51,000	51,000	51,000
Reserves		214,749	184,507	155,235
Total equity		265,749	235,507	206,235
Insurance contract liabilities	11	363,028	349,353	312,553
Insurance payables	13	55,955	36,712	32,095
Other payables	14	10,679	7,829	6,507
Current tax liabilities		-	3,332	549
Total liabilities		429,662	397,226	351,704
Total equity and liabilities		695,411	632,733	557,939

The notes on pages 24 to 78 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Note	2016	2015
		RM '000	RM '000 (restated)
Operating revenue	15	362,487	324,135
Gross reinsurance premiums	15	347,230	310,215
Premiums ceded to retrocessionaires		(135,062)	(128,629)
Net reinsurance premiums		212,168	181,586
Change in actuarial liabilities		(25,210)	1,841
Investment income - net	16	15,257	13,920
Realised gains	17	1,015	652
Fees and commission income	19	4	21
Other operating income - net	20	243	94
Other income		16,519	14,687
Net claims incurred	21	(127,385)	(121,869)
Commission expense	19	(9,065)	(9,731)
Management expenses	22	(16,630)	(15,110)
Fair value losses	18	-	(810)
Other expenses		(25,695)	(25,651)
Profit before tax		50,397	50,594
Tax expense	24	(8,290)	(12,408)
Profit for the year		42,107	38,186
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Fair value of available-for-sale assets	25	(410)	-
Total other comprehensive income for the year net of tax		(410)	-
Total comprehensive income for the year		41,697	38,186

The notes on pages 24 to 78 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2016

	<--- Non - Distributable --->		*Distributable*	
	Share capital RM '000	**Fair value reserve RM '000**	**Retained profits RM '000**	**Total equity RM '000**
At 1 January 2015	51,000	-	155,235	206,235
Profit / Total comprehensive income for the year	-	-	38,186	38,186
Dividends paid during the year (Note 26)	-	-	(8,914)	(8,914)
At 31 December 2015 / 1 January 2016	51,000	-	184,507	235,507
Fair value of available-for-sale assets (Note 25)	-	(410)	-	(410)
Profit for the year	-	-	42,107	42,107
Total comprehensive income for the year	-	(410)	42,107	41,697
Dividends paid during the year (Note 26)	-	-	(11,455)	(11,455)
At 31 December 2016	51,000	(410)	215,159	265,749
	Note 10			

The notes on pages 24 to 78 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Statement of cash flows for the year ended 31 December 2016

	2016 RM '000	2015 RM '000 (restated)
Cash flow from operating activities		
Profit before tax	50,397	50,594
Investment income	(15,257)	(13,920)
Realised gains recorded in profit or loss	(1,015)	(652)
Fair value losses recorded in profit or loss	-	810
Purchase of financial assets at fair value through profit or loss	(4,063)	(109,725)
Purchase of available-for-sale assets	(392,859)	-
Proceeds from maturity and buy-back of held-to-maturity investments	3,499	10,000
Proceeds from maturity and disposal of financial assets at fair value through profit or loss	155,729	104,243
Proceeds from maturity and disposal of available-for-sale assets	32,117	-
Adjustments for:		
Depreciation of plant and equipment	821	791
Gain on disposal of plant and equipment	(48)	-
Plant and equipment written off	2	-
Impairment loss recognised	77	13
Operating (loss)/profit before changes in working capital	(170,600)	42,154
Increase in reinsurance assets	(2,487)	(30,199)
Increase in insurance receivables	(12,092)	(21,236)
Decrease in loans and other receivables	41,122	82,243
Increase in insurance contract liabilities	13,675	65,757
Increase/(Decrease) in insurance payables	19,243	(24,340)
Increase in other payables	2,850	1,322
Cash (used in)/generated from operations	(108,289)	115,701

Company No. 417867-K

Statement of cash flows for the year ended 31 December 2016 (continued)

	2016 RM '000	2015 RM '000 (restated)
Cash (used in)/generated from operations	(108,289)	115,701
Net investment income received	5,782	14,022
Tax paid	(14,343)	(9,981)
Net cash (used in)/ generated from operating activities	(116,850)	119,742
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	114	-
Purchase of plant and equipment	(479)	(221)
Net cash used in investing activities	(365)	(221)
Cash flows from financing activities		
Dividends paid to shareholders	(11,455)	(8,914)
Net cash used in financing activities	(11,455)	(8,914)
Net (decrease)/increase in cash and cash equivalents	(128,670)	110,607
Cash and cash equivalents at 1 January	128,742	18,135
Cash and cash equivalents at 31 December (Note 9)	72	128,742

The notes on pages 24 to 78 are an integral part of these financial statements

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information and principal activities

Malaysian Life Reinsurance Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia.

The number of employees of the Company as at the end of the financial year was 48 (2015: 38).

The address of the registered office and principal place of business of the Company are as follows:

Registered office and principal place of business

Unit 39-A-6
Level 39, Tower A
Menara UOA Bangsar
No.5 Jalan Bangsar Utama 1
59000 Kuala Lumpur

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of this activity during the financial year.

The immediate and ultimate holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 28 March 2017.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, Financial Services Act, 2013 and the requirements of the Companies Act, 1965 in Malaysia.

The Companies Act, 2016 came into effect on 31 January 2017 and hence the financial statements for the financial year ending 31 December 2017 will be prepared in accordance with Companies Act, 2016.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)*

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 2, *Share-based Payment Transactions – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)*
- Amendments to MFRS 140, *Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

* from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, except for MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)* which is not applicable to the Company.

* from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for MFRS 2, MFRS 128, MFRS 140 and MFRS 9 which the Company is eligible for temporary exemption that permits (but does not require), the insurer to apply MFRS 139 *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for annual periods beginning before 1 January 2021.

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities.

The Company is currently assessing the financial impact of adopting MFRS 9.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3(c)(ii).

2. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 3 (i)(i) – Premium liabilities
Note 3 (i)(ii) – Claims liabilities

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

3. Significant accounting policies (continued)

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Motor vehicles	5 years
Office equipment	5 years
Furniture, fixtures and fittings	5 years
Computers	3 years
Renovation	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period, and adjusted as appropriate.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debts instruments that are quoted in an active market and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions).

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity, debt securities and unit trust funds, as applicable, that are not held for trading.

Financial assets categorized as available-for-sale are subsequently measured at their fair values with the gain or loss recognized in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognized in profit or loss. On derecognition, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognized in profit or loss.

(e) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or 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 profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for those financial assets. These processes are described in Note 3(e)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3(c)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3 (e)(i)).

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. Significant accounting policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Company in the management of their short term commitment.

(e) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 3(e)(ii) below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognized in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the insurance receivables is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(iii) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3. Significant accounting policies (continued)

(e) Impairment (continued)

(iii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(f) Product classification

The Company issues contracts that transfer insurance risk.

Reinsurance contracts are those contracts that transfer significant insurance risk. A reinsurance contract is a contract under which the Company (the reinsurer) has accepted significant insurance risk from another party (the cedant) by agreeing to compensate the cedant if a specified uncertain future event (the insured event) adversely affects the cedant. Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits.

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

(g) Reinsurance

The Company retrocedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from retrocessionaires. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retrocessionaire's policies and are in accordance with the related retrocession contracts.

Retroceded reinsurance arrangements do not relieve the Company from its obligations to cedants. Premiums and claims are presented on a gross basis for both retroceded 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 retrocessionaire. The impairment loss is recorded in profit or loss.

3. Significant accounting policies (continued)

(h) Reinsurance commission

Reinsurance commission, which are costs directly incurred in securing reinsurance premiums on reinsurance, and income derived from retrocessionaires in the course of ceding of premiums to retrocessionaires, are charged to profit or loss in the period in which they are incurred or deferred where appropriate.

(i) Life reinsurance underwriting results

Any surplus transferable from the Life Fund to profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to cedants. Actuarial valuation reserves comprise premium liabilities and claim liabilities.

(i) Premium liabilities

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

Unearned Premium Reserves

The UPR represents the portion of the net premium income of a reinsurance contract written that relates to the unexpired periods of the contract at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used. $1/8^{th}$ method is applied to gross premiums.

Unexpired Risk Reserve

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the reinsurer’s expenses, including overheads and cost of retrocession, expected to be incurred during the unexpired period in administering these treaties and settling the relevant claims, and expected future premium refunds.

3. Significant accounting policies (continued)

(i) Life reinsurance underwriting results (continued)

(ii) Claims liabilities

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that included a regulatory risk margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Estimating the outstanding claims provision involves projection of the Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement as well as uncertainties in the projection model and underlying assumptions.

(j) Acquisition costs

The cost of acquiring and renewing reinsurance contracts net of income derived from retroceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income based on the method specified in Note 3(i)(i). Acquisition costs or retroceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

(k) Equity instrument

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

3. Significant accounting policies (continued)

(l) Premium income

The Company recognises reinsurance premiums on an accrual basis. Gross premium is reduced by discount on premiums, if any.

(m) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) Leased assets

Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or incentive schemes if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long-term incentive plans

A liability is recognised on an undiscounted basis for the amount expected to be paid for the incentive plan if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) State plans

The Company's contributions to the statutory pension funds are charged to profit or loss in the financial year in which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is attributable.

3. Significant accounting policies (continued)

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Affiliated company

An affiliated company is defined as one that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

(r) Provisions

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. Significant accounting policies (continued)

(s) Fair value measurements

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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 participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. Plant and equipment

Cost	Motor vehicles RM '000	Office equipment RM '000	Furniture, fixtures and fittings RM '000	Computers RM '000	Renovation RM '000	Total RM '000
At 1 January 2015	494	280	684	399	2,104	3,961
Additions	-	14	39	168	-	221
Disposal	-	-	-	-	-	-
Written off	-	-	-	-	-	-
At 31 December 2015/ 1 January 2016	494	294	723	567	2,104	4,182
Additions	150	42	-	94	193	479
Disposal	(149)	-	-	(47)	(51)	(247)
Written off	-	(3)	-	(47)	-	(50)
At 31 December 2016	495	333	723	567	2,246	4,364
Accumulated depreciation						
At 1 January 2015	153	136	372	313	1,055	2,029
Charge for the year	99	57	129	78	428	791
Disposal	-	-	-	-	-	-
Written off	-	-	-	-	-	-
At 31 December 2015/ 1 January 2016	252	193	501	391	1,483	2,820
Charge for the year	95	61	133	85	447	821
Disposal	(149)	-	-	(28)	(4)	(181)
Written off	-	(1)	-	(47)	-	(48)
At 31 December 2016	198	253	634	401	1,926	3,412
Carrying amount						
At 1 January 2015	341	144	312	86	1,049	1,932
At 31 December 2015	242	101	222	176	621	1,362
At 31 December 2016	297	80	89	166	320	952

Included in plant and equipment are the following fully depreciated assets which are still in use:

	2016 RM '000	2015 RM '000
At cost:		
Furniture, fixtures and fittings	56	56
Computers	272	272
Office equipment	11	7
	339	335

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5. Investments

(a) Held-to-maturity ("HTM") investments

	2016		2015	
	Carrying amount RM '000	Fair value RM '000	Carrying amount RM '000	Fair value RM '000
Malaysian Government Guaranteed Securities	4,634	5,219	5,160	5,798
Unquoted in Malaysia:				
Corporate debt securities				
- secured	-	-	3,007	3,560
Zero coupon bond	100	100	100	100
	4,734	5,319	8,267	9,458

(b) Available-for-sale ("AFS") investments

	2016		2015	
	Carrying amount RM '000	Fair value RM '000	Carrying amount RM '000	Fair value RM '000
Unit trusts				
- Fixed Income Collective Investment Scheme	273,834	273,834	-	-
- Cash Management Collective Investment Scheme	98,913	98,913	-	-
	372,747	372,747	-	-

(c) Financial assets at fair value through profit or loss ("FVTPL") - Held for Trading ("HFT")

	2016		2015	
	Carrying amount RM '000	Fair value RM '000	Carrying amount RM '000	Fair value RM '000
Malaysian Government Securities	-	-	6,917	6,917
Unquoted in Malaysia:				
Corporate debt securities				
- secured	-	-	6,982	6,982
- unsecured	-	-	137,002	137,002
	-	-	150,901	150,901

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5. Investments (continued)

(d) Estimation of fair values

The estimated fair values for Government Securities, Government Guaranteed Securities and unquoted corporate debt securities are based on the indicative market prices obtained from two independent licensed financial institutions at the end of the reporting period.

The following investments mature after 12 months:-

	2016 RM '000	2015 RM '000
Financial assets :-		
Held-to-maturity	4,634	5,160

(e) Carrying amounts of investments

	HTM RM '000	AFS RM '000	HFT RM '000	Total RM '000
At 1 January 2015	18,369	-	145,577	163,946
Additions	-	-	109,725	109,725
Disposal/Maturity/Repayment	(10,000)	-	(103,591)	(113,591)
Fair value losses recorded in:				
- profit or loss	-	-	(810)	(810)
Amortisation of premiums	(102)	-	-	(102)
At 31 December 2015/1 January 2016	8,267	-	150,901	159,168
Addition	-	392,859	4,063	396,922
Disposal/Maturity/Repayment	(3,514)	(32,117)	(154,964)	(190,595)
Distribution income reinvested	-	12,280	-	12,280
Fair value gain/(losses) recorded in:				
- profit or loss	-	265	-	265
- other comprehensive income	-	(540)	-	(540)
Amortisation of premiums	(19)	-	-	(19)
At 31 December 2016	4,734	372,747	-	377,481

6. Reinsurance assets

	Note	2016 RM '000	2015 RM '000
Retrocession of reinsurance contracts:			
Provision for outstanding claims	11.1	36,958	27,529
Actuarial liabilities	11.2	121,176	128,118
		158,134	155,647

7. Insurance receivables

	2016 RM '000	2015 RM '000
Due premiums from cedants	149,648	139,203
Less: Impairment allowance	-	(13)
	149,648	139,190
Amount due from retrocessionaires	1,744	97
Less: Impairment allowance	(90)	-
	151,302	139,287

Included in the amount due from retrocessionaires is RM 1,645,822 (2015: RM 82,449) due from an affiliated company.

8. Loans and receivables, excluding insurance receivables

	2016 RM '000	2015 RM '000
Fixed and call deposits with licensed financial institutions with original maturity of more than 3 months	2,400	43,557
Other receivables	397	389
Deposits	201	218
Prepayments	138	94
Income due and accrued	89	2,875
	3,225	47,133
Receivable after 12 months	380	12,780

Fixed and call deposits of the Reinsurance Life Fund of RM Nil (2015: RM32,367,641) are not available for other use of the Company other than to meet the obligations of the Life Fund.

9. Cash and cash equivalents

	2016 RM '000	2015 RM '000
Cash and bank balances	72	536
Fixed and call deposits with licensed financial insitutions with original maturity of less than 3 months	-	128,206
	72	128,742

Cash and cash equivalents of the Reinsurance Life Fund of RM Nil (2015: RM103,061,349) are not available for other use of the Company other than to meet the obligations of the Life Fund.

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10. Share capital

	2016		2015	
	Amount RM '000	Number of shares '000	Amount RM '000	Number of shares '000
Authorised:				
Ordinary shares of RM1 each	100,000	100,000	100,000	100,000
Issued and fully paid shares classified as equity instrument :				
Ordinary shares of RM1 each at 31 December	51,000	51,000	51,000	51,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

11. Insurance contract liabilities

	<----------- 2016	------------>		<----------- 2015	------------>	
	Gross RM '000	Retrocession RM '000	Net RM '000	Gross RM '000 (restated)	Retrocession RM '000	Net RM '000 (restated)
Provision for outstanding claims	72,715	(36,958)	35,757	77,308	(27,529)	49,779
Actuarial liabilities	290,313	(121,176)	169,137	272,045	(128,118)	143,927
	363,028	(158,134)	204,894	349,353	(155,647)	193,706
		(Note 6)			(Note 6)	

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11. Insurance contract liabilities (continued)

11.1 Provision for outstanding claims

	<-------------- 2016 ---------------->			<-------------- 2015 ---------------->		
	Gross	**Retrocession**	**Net**	**Gross**	**Retrocession**	**Net**
	RM '000	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**
At 1 January	77,308	(27,529)	49,779	50,027	(8,690)	41,337
Claims reported for the current accident year	102,436	(40,964)	61,472	92,165	(39,175)	52,990
Reported claims in relation to prior accident years	126,888	(60,975)	65,913	148,761	(79,882)	68,879
Claims paid during the year	(233,917)	92,510	(141,407)	(213,645)	100,218	(113,427)
At 31 December	72,715	(36,958)	35,757	77,308	(27,529)	49,779

11.2 Provision for actuarial liabilities

	<-------------- 2016 --------------->			<------------- 2015 --------------->		
	Gross	**Retrocession**	**Net**	**Gross**	**Retrocession**	**Net**
	RM '000	**RM '000**	**RM '000**	**RM '000 (restated)**	**RM '000**	**RM '000 (restated)**
At 1 January (restated)	272,045	(128,118)	143,927	262,526	(116,758)	145,768
Change in life assurance fund contract liabilities:-						
Assumption change (YRT Life)	(1,795)	-	(1,795)	812	-	812
Due to movement during the year	24,193	203	24,396	(3,919)	1,080	(2,839)
Due to movement and assumption change (SRT)	(4,130)	6,739	2,609	12,626	(12,440)	186
At 31 December	290,313	(121,176)	169,137	272,045	(128,118)	143,927
		Note 6			Note 6	

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12. Deferred tax assets

Recognised deferred tax assets / (liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	RM '000	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**
Plant and equipment	-	-	(26)	(68)	(26)	(68)
Provisions	1,888	1,414	-	-	1,888	1,414
Fair value of available-for-sale assets	130	-	-	-	130	-
Other items	25	48	-	-	25	48
Net deferred tax assets/(liabilities)	2,043	1,462	(26)	(68)	2,017	1,394

Movement in temporary differences during the financial year

2016	**At 1 January 2016 RM '000**	**Recognised in profit or loss (Note 24) RM '000**	**Recognised in other comprehensive income (Note 25) RM '000**	**At 31 December 2016 RM '000**
Property and equipment - capital allowances	(68)	42	-	(26)
Provisions	1,414	474	-	1,888
Fair value of available-for-sale assets	-	-	130	130
Other items	48	(23)	-	25
	1,394	493	130	2,017

2015	**At 1 January 2015 RM '000**	**Recognised in profit or loss (Note 24) RM '000**	**Recognised in other comprehensive income (Note 25) RM '000**	**At 31 December 2015 RM '000**
Property and equipment - capital allowances	(60)	(8)	-	(68)
Provisions	1,188	226	-	1,414
Other items	(90)	138	-	48
	1,038	356	-	1,394

Deferred tax liabilities and assets are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxation authority.

13. Insurance payables

	2016 RM '000	2015 RM '000 (restated)
Amount due to cedants	3,222	4,795
Amount due to retrocessionaires	52,733	31,917
	55,955	36,712

Included in amount due to retrocessionaires is RM50,897,421 (2015: RM29,935,510) due to an affiliated company.

14. Other payables

	2016 RM '000	2015 RM '000
Other payables	236	239
Accrued expenses	10,443	7,590
	10,679	7,829

Included in other payables is RM3,651,056 (2015: RM1,947,591) due to an affiliated company.

15. Operating revenue

	Note	2016 RM '000	2015 RM '000 (restated)
Gross reinsurance premiums		347,230	310,215
Investment income	16	15,257	13,920
		362,487	324,135

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16. Investment income-net

	2016 RM '000	2015 RM '000
Held-to-maturity investments		
- interest income	395	772
Financial assets at fair value through profit or loss		
- interest/profit income	1,096	7,257
Available-for-sale investments		
- distribution income	19,502	-
Amortisation of premiums, net of accretion of discounts	(19)	(102)
Fixed and call deposits with licensed financial institutions		
- interest income	1,583	6,000
	22,557	13,927
Less: Investment expenses	(7,300)	(7)
	15,257	13,920

17. Realised gains

	2016 RM '000	2015 RM '000
Gains on disposal/repayment:		
- Held-to-maturity investments	(15)	-
- Financial assets at fair value through profit or loss	765	652
- Available-for-sale assets	265	-
	1,015	652

18. Fair value losses

	2016 RM '000	2015 RM '000
Financial assets at fair value through profit or loss	-	(810)

19. Commission income/(expense)

	2016 RM '000	2015 RM '000
Commission income	4	21
Commission expense	(9,065)	(9,731)

20. Other (expenses)/income – net

	2016 RM '000	2015 RM '000
Gain on disposal of plant and equipment	48	-
Plant and equipment written off	(2)	-
Net impairment loss recognised	(78)	(13)
Realised gains in foreign exchange	7	85
Unrealised loss in foreign exchange	(55)	-
Other income	323	22
	243	94

21. Net claims incurred

	2016 RM '000	2015 RM '000
Gross claims paid	233,918	213,645
Claims recovered	(92,511)	(100,218)
Net claims paid	141,407	113,427
Gross change in claims liabilities:		
At 31 December	72,715	77,308
At 1 January	(77,308)	(50,027)
	(4,593)	27,281
Change in claims liabilities retroceded:		
At 31 December	(36,958)	(27,529)
At 1 January	27,529	8,690
	(9,429)	(18,839)
	127,385	121,869

22. Management expenses

	2016 RM '000	2015 RM '000
Employee benefits expenses	7,973	6,741
Directors' remuneration	696	513
Auditors' remuneration		
- Audit fee		
KPMG Malaysia	193	193
- Non-audit fee		
KPMG Malaysia	17	17
Depreciation of plant and equipment	821	791
Rental of office premises	598	598
Rental of equipment	32	22
Direct operating expenses (revenue-generating)	6,084	5,808
Other expenses	216	427
	16,630	15,110

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23. Key management personnel compensation

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

2016	Fees RM' 000	Salary RM '000	Bonus RM '000	EPF RM '000	Other RM '000	Benefits-in-kind RM '000	Total RM '000
Chief Executive Officer							
Liew Pek Hin	-	572	274	92	-	25	963
Total Chief Executive Officer	-	572	274	92	-	25	963
Non-Executive Directors							
Toi See Jong	82	-	-	-	17	-	99
Y. Bhg. Dato Koh Yaw Hui	63	-	-	-	15	-	78
Gan Leong Hin**	20	-	-	-	2	-	22
Kwo Shih Kang	63	-	-	-	15	-	78
Peter Tan Hock Hwee *	63	-	-	-	20	-	83
Low Shih Nin	62	-	-	-	12	-	74
Chee Siew Eng	63	-	-	-	28	-	91
Cheng Tony Kin-Shun *	1	-	-	-	-	-	1
Lau Yew Kong	63	-	-	-	20	-	83
Y. Bhg Dato' Muthanna	29	-	-	-	13	-	42
Ezamshah Ismail	31	-	-	-	14	-	45
Total Directors' Remuneration (including benefits-in-kind)	540	-	-	-	156	-	696
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	540	572	274	92	156	25	1,659

* These directors are nominees of an affiliated company, Reinsurance Group of America, Incorporated (RGA). Their remuneration are paid directly to RGA.
** The director’s remuneration is paid directly to the holding company, L.I.A.M. Holding Sdn. Bhd.

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23. Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

2015	Fees RM' 000	Salary RM '000	Bonus RM '000	EPF RM '000	Other RM '000	Benefits-in-kind RM '000	Total RM '000
Chief Executive Officer							
Liew Pek Hin	-	540	465	161	-	13	1,179
Total Chief Executive Officer	-	540	465	161	-	13	1,179
Non-Executive Directors							
Toi See Jong	54	-	-	-	17	-	71
Y. Bhg. Dato Koh Yaw Hui	45	-	-	-	13	-	58
Kwo Shih Kang	51	-	-	-	15	-	66
Peter Tan Hock Hwee *	45	-	-	-	22	-	67
Chee Siew Eng	45	-	-	-	24	-	69
Cheng Tony Kin-Shun *	45	-	-	-	5	-	50
Lau Yew Kong	45	-	-	-	18	-	63
Ezamshah Ismail	45	-	-	-	24	-	69
Total Directors' Remuneration (including benefits-in-kind)	375	-	-	-	138	-	513
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	375	540	465	161	138	13	1,692

* These directors are nominees of an affiliated company, Reinsurance Group of America, Incorporated (RGA). Their remuneration are paid directly to RGA.

24. Income tax expense

	2016 RM '000	2015 RM '000
Current tax expense		
- current year	9,657	13,360
- over provision in prior years	(874)	(596)
	8,783	12,764
Deferred tax expense		
- origination and reversal of temporary differences	(497)	(491)
- under / (over) provision in prior years	4	98
- change in tax rate	-	37
	(493)	(356)
	8,290	12,408
Reconciliation of tax expense		
Profit before tax	50,397	50,594
Tax at Malaysian tax rate of 24% (2015: 25%)	12,095	12,649
Effect of changes in tax rate	-	58
Income not subject to tax	(4,680)	-
Non-deductible expenses	1,745	199
	9,160	12,906
Over provision in prior years	(870)	(498)
Tax expense	8,290	12,408

25. Other comprehensive income

	<------------ 2016	------------>		<------------ 2015	------------>	
	Before tax RM'000	**Tax benefit RM'000**	**Net of tax RM'000**	**Before tax RM'000**	**Tax benefit RM'000**	**Net of tax RM'000**
Fair value of available-for-sale assets						
- Loss arising during the year	(540)	130	(410)	-	-	-
	(540)	130	(410)	-	-	-

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26. Dividends

Dividends recognised by the Company:	Sen per share	Total amount RM'000	Date of payment
2016			
Final 2015 ordinary (net of tax)	22.46	11,455	31 May 2016
2015			
Final 2014 ordinary (net of tax)	17.48	8,914	9 June 2015

27. Operating lease commitments

Lease as lessee

Total future minimum lease payments under the non-cancellable operating leases are as follows:

	2016 RM '000	2015 RM '000
Payable within 1 year	598	598
Payable between 1 and 5 years	-	598
	598	1,196

The Company has renewed its leasing for the current office premise with a third party for a period of three years with effect from 1 January 2015 until 31 December 2017 with an option to renew for a further two years based on a revised rental to be mutually agreed upon.

28. Capital commitments

There was no capital commitment as at the end of the current and previous financial years.

29. Related parties

Identity of related parties

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

i) Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

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29. Related parties (continued)

Identity of related parties (continued)

ii) Affiliated company

An affiliated company is a company that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include the Chief Executive Officer and all the Directors of the Company. Key management personnel remuneration is disclosed in Note 23 to the financial statements.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 7, 13 and 14.

	2016 RM '000	2015 RM '000
Shareholders of the holding company		
Gross premium income	346,116	292,844
Discount payable	(7,823)	(8,825)
Commission payable	-	-
Profit commission payable	(9,251)	(12,332)
Claims payable	(206,604)	(227,948)
Affiliated company		
Gross premium income	24,213	22,478
Discount payable	(2,211)	(6,506)
Commission payable	-	-
Profit commission recoverable	1,176	7,163
Gross premium retroceded	(130,088)	(122,623)
Retroceded discount receivable	1,518	1,550
Retroceded commission receivable	-	-
Services payable	(4,505)	(2,912)
Claims payable	(12,083)	(9,165)
Claims recoverable	93,177	112,249

30. Risk management framework

The risk management framework of the Company is as follows:

- The Risk Management Committee was established to drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks.

- Independent risk management and control functions under Internal Audit are responsible to ascertain that the risk policies are implemented and complied with.

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

- Audit Committee, supported by Internal Audit, is established to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal and regulatory guidelines.

- Risk Management policies are reviewed at least yearly to ensure they remain relevant and effective and managing the associated risks due to changes in the market and regulatory environments.

Capital Management

Pursuant to the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia, the Board approved and adopted a Capital Management Plan (“CMP”) for the Company in line with the requirements set out in the Risk-Based Capital Framework with effect from 1 January 2009. The objective of the CMP and the Company’s policy are to create shareholders’ value, deliver sustainable returns to shareholders, and maintain a strong capital position with optimum buffer to meet the Company’s obligations and regulatory requirements.

The management of the Company’s capital is guided by the CMP which is driven by the Company’s business strategies and organisational requisites which take into account the business and regulatory environment in which the Company operates. In this respect, the Company sets a capital target that is above the minimum regulatory requirements as defined and required under the Risk-Based Capital Framework.

As required by Bank Negara Malaysia, the Company conducts stress testing twice per year. The objective of the stress test is to evaluate the extent by which the Company’s capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to adverse plausible events. The stress test results, together with the mitigating measures and action plan are tabled to the Board for approval prior to submission to Bank Negara Malaysia.

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31. Insurance risk management

Managing insurance risk is the core business of the Company. The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Insurance risk results from pricing and acceptance of reinsurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices of products and establishing the technical provisions and liabilities for claims. Sources of risk include policy lapses and claims such as mortality and morbidity.

The Company utilises retrocession to manage the mortality and morbidity risks. Loss ratios would be monitored closely and insurance risk can be mitigated by a re-pricing exercise if the adverse experience persists.

Geographically, the Company's risks are concentrated in Malaysia. Catastrophic cover is procured to limit catastrophic losses.

The table below sets out the concentration of the Company's reinsurance business premium by type of product.

	<------------ 2016	--------------	-------------->	<-------------- 2015	--------------	-------------->
	Gross RM '000	**Retrocession RM '000**	**Net RM '000**	**Gross RM '000 (Restated)**	**Retrocession RM '000**	**Net RM '000 (Restated)**
Yearly Renewable Term - Life	222,121	(27,164)	194,957	188,338	(20,757)	167,581
Yearly Renewable Term - Health	7,139	(1,594)	5,545	4,376	(7)	4,369
Surplus Relief Reinsurance	117,267	(106,160)	11,107	117,765	(108,136)	9,629
Coinsurance	703	(144)	559	(264)	271	7
Total	347,230	(135,062)	212,168	310,215	(128,629)	181,586

The table below sets out the concentration of the Company's actuarial liabilities by type of product.

	<--------------- 2016	---------------	--------------->	<--------------- 2015	---------------	--------------->
	Gross RM '000	**Retrocession RM '000**	**Net RM '000**	**Gross RM '000 (Restated)**	**Retrocession RM '000**	**Net RM '000 (Restated)**
Yearly Renewable Term - Life	153,924	-	153,924	132,312	-	132,312
Yearly Renewable Term - Health	2,901	-	2,901	2,092	-	2,092
Surplus Relief Reinsurance	134,671	(122,386)	12,285	138,801	(129,125)	9,676
Coinsurance	(1,183)	1,210	27	(1,160)	1,007	(153)
Total	290,313	(121,176)	169,137	272,045	(128,118)	143,927

31. Insurance risk management (continued)

Key assumptions

Material judgements are required in determining the claim liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at date of valuation. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

Disclosure of Key Assumptions

Yearly Renewable Term Contracts

The principal assumptions underlying the estimation of claims liabilities is that the Company's future claims will follow a similar pattern to the past claims development experience. These assumptions include claims development factors and loss ratios. These assumptions are derived based on the Company's historical and emerging underwriting experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future.

In setting provisions for claims liabilities, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. As required by Bank Negara Malaysia under the Risk-Based Capital Framework, the Company sets provisions for claims at the 75% confidence interval.

Sensitivities

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from estimation. The sensitivity analysis is performed on the Yearly Renewable Term - Life liabilities. However, the Yearly Renewable Term - Health has been excluded due to its relative small size and immateriality.

The analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

	Impact on gross liabilities RM '000	Impact on net liabilities RM '000	Impact on profit before tax RM '000
31 December 2016			
Assumed loss ratios increase by 10%	8,307	8,307	(8,307)
31 December 2015			
Assumed loss ratios increase by 10%	6,918	6,918	(6,918)

31. Insurance risk management (continued)

Sensitivities (continued)

Coinsurance and Surplus Relief Treaties

The principal assumptions underlying the estimation of liabilities include mortality assumptions, investment return, lapse rates and discount rates.

The Company booked its coinsurance and surplus relief treaties contract liabilities based on liabilities amounts provided by the respective cedants. The key assumptions to which the estimation of liabilities is particularly sensitive are mortality and morbidity rates, longevity, investment return, expenses, lapse and surrender rates and discount rates. The selection of these assumptions varies by cedants and is not disclosed to the Company. As such, sensitivity analysis could not be performed.

32. Financial instruments

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R")
(b) Fair value through profit or loss ("FVTPL");
 - Held for trading ("HFT")
(c) Held-to-maturity investments ("HTM")
(d) Available-for-sale investments ("AFS"); and
(e) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM '000	L&R/ (FL) RM '000	FVTPL - HFT RM '000	AFS RM '000	HTM RM '000
31 December 2016					
Financial assets					
Investments	377,481	-	-	372,747	4,734
Insurance receivables	151,302	151,302	-	-	-
Loans and receivables, excluding insurance receivables and prepayment	3,087	3,087	-	-	-
Cash and cash equivalents	72	72	-	-	-
	531,942	154,461	-	372,747	4,734
Financial liabilities					
Insurance payables	(55,955)	(55,955)	-	-	-
Other payables	(10,679)	(10,679)	-	-	-
	(66,634)	(66,634)	-	-	-

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32. Financial instruments (continued)

32.1 Categories of financial instruments (continued)

	Carrying amount RM '000 (Restated)	L&R/ (FL) RM '000 (Restated)	FVTPL - HFT RM '000	HTM RM '000
31 December 2015				
Financial assets				
Investments	159,168	-	150,901	8,267
Insurance receivables	139,287	139,287	-	-
Loans and receivables, excluding insurance receivables and prepayment	47,039	47,039	-	-
Cash and cash equivalents	128,742	128,742	-	-
	474,236	315,068	150,901	8,267
Financial liabilities				
Insurance payables	(36,712)	(36,712)	-	-
Other payables	(7,829)	(7,829)	-	-
	(44,541)	(44,541)	-	-

32.2 Net gains and losses arising from financial instruments

	2016 RM '000	2015 RM '000
Net gains/(loss) arising on:		
Fair value through profit or loss:		
- Held-for-trading	779	7,099
Held-to-maturity investments	376	670
Available for sale investments		
- recognized in profit or loss	19,767	-
- recognized in other comprehensive income	(540)	-
Loans and receivables	1,458	6,071
	21,840	13,840

32. Financial instruments (continued)

32.3 Financial risk management

The Company is exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk (currency risk, interest rate risk, equity price risk) and operational risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders whilst managing potential exposure to adverse effects on its financial performance and positions.

The Company is guided by risk management policies which set out the overall business strategies. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of financial risk management is delegated to the Management of the Company.

The policies and measures taken by the Company to manage these risks are as set out below:
- Credit risk
- Liquidity risk
- Market risk

32.4 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities, placements or balances with financial institutions, reinsurance premium receivables and recoveries from retrocessionaires.

Receivables

Risk management objectives, policies and process for managing the risk

Management has taken reasonable steps to ensure that premium receivables that are neither past due nor impaired are stated at their realisable values. The Company uses aging analysis to monitor the credit quality of premium receivables. Premium receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Receivables (continued)

Risk management objectives, policies and process for managing the risk (continued)

Recoveries from retrocessionaires are monitored by the Finance Department. The Company monitors the credit quality and financial conditions on a quarterly basis as part of its overall credit risk management framework. The Company cedes the majority of its business to reinsurers that are deemed to be qualified reinsurers under the Risk-Based Capital Framework.

Impairment losses

The Company maintains an aging analysis in respect of insurance receivables and the aging of insurance receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2016				
Not past due	137,643	-	-	137,643
Past due 1-30 days	-	-	-	-
Past due 31-60 days	12,414	-	-	12,414
Past due 61-90 days	2,121	-	-	2,121
Past due more than 90 days	(786)	(90)	-	(876)
	151,392	(90)	-	151,302
2015				
Not past due	130,895	-	-	130,895
Past due 1-30 days	-	-	-	-
Past due 31-60 days	7,675	-	-	7,675
Past due 61-90 days	717	-	-	717
Past due more than 90 days	13	(13)	-	-
	139,300	(13)	-	139,287

32. Financial instruments (continued)

32.4 Credit risk (continued)

Receivables (continued)

Past due and impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

At 31 December 2016, based on a combination of collective and individual assessment of receivables, the movement in provision for impaired insurance receivables is disclosed below. All insurance receivables are from licensed insurers/reinsurers and there has been no history of non-collection. The Company records impairment allowance for insurance receivables in a separate "Allowance for Impairment" accounts.

	2016 RM '000	2015 RM '000
At 1 January	13	-
Impairment loss recognised	90	13
Impairment loss reversed	(13)	-
At 31 December	90	13

Investments and deposit placements

Risk management objectives, policies and procedures for managing the risk

For fixed income securities, the Company relies on the ratings assigned by external rating agencies to assess the issuer's credit risk. Monitoring of credit is carried out by the Finance Department and any adverse changes in the credit profile on a security to below A-rated would be reported to the Investment Committee.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only invested in domestic securities and have placements with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Company does not have overdue investments that have not been impaired.

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32. Financial instruments (continued)

32.4 Credit risk (continued)

32.4.1 Credit exposure

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The table below shows the maximum exposure to credit risk for the financial asset components on the statement of financial position.

	2016 RM '000	2015 RM '000
Investments:		
Held-to-maturity investments	4,734	8,267
Fair value through profit or loss- HFT	-	150,901
Insurance receivables	151,302	139,287
Loans and receivables, excluding insurance receivables and prepayment	3,087	47,039
Cash and cash equivalents	72	128,742
	159,195	474,236

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's internal assessment.

	Neither past due nor impaired RM' 000	Past due but not impaired RM '000	Past due and impaired RM '000	Total RM '000
31 December 2016				
Investments:				
Held-to-maturity investments	4,734	-	-	4,734
Fair value through profit or loss- HFT	-	-	-	-
Insurance receivables	137,643	13,659	90	151,392
Loans and receivables, excluding insurance receivables and prepayment	3,087	-	-	3,087
Cash and cash equivalents	72	-	-	72
	145,536	13,659	90	159,285
31 December 2015				
Investments:				
Held-to-maturity investments	8,267	-	-	8,267
Fair value through profit or loss- HFT	150,901	-	-	150,901
Insurance receivables	130,895	8,392	13	139,300
Loans and receivables, excluding insurance receivables and prepayment	47,039	-	-	47,039
Cash and cash equivalents	128,742	-	-	128,742
	465,844	8,392	13	474,249

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32. Financial instruments (continued)

32.4 Credit risk (continued)

32.4.1 Credit exposure (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties and those of internationally recognised rating agencies such as A.M. Best and Standard and Poor's. AAA is the highest possible rating. Assets are classified as 'Not-rated' when the assets are unrated or the Company is unable to obtain the rating of the assets.

	AAA RM' 000	AA RM '000	A RM '000	B RM '000	Not-rated RM '000	Total RM '000
31 December 2016						
Investments:						
Held-to-maturity investments	-	-	-	-	4,734	4,734
Insurance receivables	423	49,873	8,238	-	92,768	151,302
Loans and receivables, excluding insurance receivables and prepayments	-	-	-	-	3,087	3,087
Cash and cash equivalents	-	-	-	-	72	72
	423	49,873	8,238	-	100,661	159,195
31 December 2015						
Investments:						
Held-to-maturity investments	-	3,007	-	-	5,260	8,267
Fair value through profit or loss- HFT	21,160	101,813	14,029	-	13,899	150,901
Insurance receivables	-	667	2,265	13	136,355	139,300
Loans and receivables, excluding insurance receivables and prepayments	18,351	27,709	82	-	897	47,039
Cash and cash equivalents	52,548	76,194	-	-	-	128,742
	92,059	209,390	16,376	13	156,411	474,249

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32. Financial instruments (continued)

32.5 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under normal and stressed conditions.

As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

32.5.1 Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM' 000	Contractual interest rate/ coupon %	Contractual cash flow RM' 000	Up to a year* RM' 000	1 - 5 years RM' 000	Above 5 years RM '000	No maturity date RM '000
31 December 2016							
Insurance payables	55,955	-	55,955	-	-	-	-
Other payables	10,679	-	10,679	9,231	1,448	-	-
	66,634		66,634	9,231	1,448	-	-
31 December 2015 (Restated)							
Insurance payables	36,712	-	36,712	36,712	-	-	-
Other payables	7,829	-	7,829	5,347	2,482	-	-
	44,541		44,541	42,059	2,482	-	-

* Expected utilisation or settlement is within 12 months of the reporting date.

32. Financial instruments (continued)

32.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised of three types of exposures: currency risk, interest rate risk and other price risk.

32.6.1 Currency Risk

The Company is exposed to foreign currency risk on reinsurance premiums and claims that are denominated in currencies other than the Malaysian Ringgit. The Company has exposure to the following currencies: United States Dollar, Philippines Peso, Thailand Baht, Brunei Dollar, Singapore Dollar and Taiwan Dollar.

Risk management objectives, policies and processes for managing the risk

As at the end of the reporting period, 3.26% (2015: 3.04%) of the Company's businesses are from overseas business. As such, the Company has minimal exposure to foreign currency risk, and currency risk sensitivity is not disclosed. The net reinsurance premiums due to the Company from foreign clients are deposited into a multi-currency bank account which would later be transferred to a Ringgit-denominated account.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	US Dollar RM '000	Phillippines Peso RM '000	Brunei Dollar RM '000	Singapore Dollar RM '000
31 December 2016				
Insurance receivables	-	83	6	745
Cash and cash equivalents	14	-	-	2
	14	83	6	747
31 December 2015				
Insurance receivables	-	10	-	-
Cash and cash equivalents	20	-	-	2
	20	10	-	2

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32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which solvency and profitability can be affected by an adverse movement in interest rates.

Exposure to interest rate risk

The Company does not have any variable rate investments and borrowings, and hence are not exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Company's significant interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2016 **RM '000**	**2015** **RM '000**
Fixed rate instruments		
- Investments (exclude zero coupon bond)	4,634	159,068
Loans and receivables, excluding insurance receivables and prepayment	3,087	47,039
Cash and cash equivalents	72	128,742
	7,793	334,849

The Company's investments in fixed income securities which were classified as held for trading, were exposed to a risk of change in their fair values due to changes in interest rates, as disclosed in the comparative:

Interest rate risk sensitivity analysis

Sensitivity analysis for changes in yield curve that is reasonably possible as at year end are as follows:

	Impact on profit before tax **RM '000**
31 December 2016	
Parallel shift in yield curve by +10%	-
31 December 2015	
Parallel shift in yield curve by +10%	(3,689)

32. Financial instruments (continued)

32.6 Market risk (continued)

32.6.3 Other Price Risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), regardless whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. Price risk can arise from investments in equity instruments and unit trust funds.

The Company's investment policy does not permit investment in equities and consequently has no exposure to the volatilities of the equity markets.

The Company invests in unit trust funds which fair value is quoted as the Net Asset Value (NAV) per unit in circularization. The Company is exposed to the changes in NAV/unit of these funds.

The sensitivity analysis below shows the impact to equity for the change in NAV/unit.

2016	**Change in Variable**	**Impact on equity RM'000**
NAV/unit	+10%	37,275
NAV/unit	- 10%	(37,275)

31.6.4 Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. Operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company mitigates operational risk by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

The Company has a Business Continuity Plan in place to ensure all aspects of the Company remain to be functioning in the midst of disruptive events. The Company also has a Disaster Recovery Plan which focuses on the technology systems that support various business functions.

31.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

32. Financial instruments (continued)

32.7 Fair value information (continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2015: no transfer in either directions)

Level 3 fair value

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities.

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32. Financial instruments (continued)

32.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
31 December 2016	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Financial assets										
Held-to-maturity investments	-	-	-	-	-	5,319	-	5,319	5,319	4,734
Fair value through profit or loss- HFT	-	-	-	-	-	-	-	-	-	-
Available-for-sale investments	372,747	-	-	372,747	-	-	-	-	372,747	372,747
	372,747	-	-	372,747	-	5,319	-	5,319	378,066	377,481
31 December 2015										
Financial assets										
Held-to-maturity investments	-	-	-	-	-	9,458	-	9,458	9,458	8,267
Fair value through profit or loss- HFT	-	150,901	-	150,901	-	-	-	-	150,901	150,901
	-	150,901	-	150,901	-	9,458	-	9,458	160,359	159,168

33. Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect cedants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital Framework which is imposed by the Ministry of Finance pursuant to Section 13(1) of the Financial Services Act, 2013. Under this Framework, the Company is required to satisfy a minimum capital adequacy ratio of 130% and maintain a capital level that commensurates with the Company's risk profile. The Company has a capital adequacy ratio in excess of the minimum requirement.

The total capital available of the Company as at 31 December 2016, as defined under the Risk-Based Capital Framework is provided below:

	2016 **RM '000**	**2015** **RM '000**
Share capital (paid up)	51,000	51,000
Reserves	211,676	184,507
Total capital available	262,676	235,507

34. Reinsurance funds

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund in accordance with the Financial Services Act, 2013.

The reinsurance life business offers various reinsurance arrangements that are required by clients (cedants/retrocessionaires).

The Company's statement of financial position, profit or loss and information on cash flows comprising the Shareholders' and Life Funds are further analysed by funds as follows:

34. Reinsurance funds (continued)

Statement of Financial Position by Funds as at 31 December 2016

	Shareholders' Fund		Life Fund		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	RM' 000	**RM' 000**	**RM' 000**	**RM' 000 (restated)**	**RM' 000**	**RM '000 (restated)**
Assets						
Plant and equipment	-	-	952	1,362	952	1,362
Financial assets - Investments	50,342	-	327,139	159,168	377,481	159,168
Reinsurance assets	-	-	158,134	155,647	158,134	155,647
Insurance receivables	-	-	151,302	139,287	151,302	139,287
Loans and receivables, excluding insurance receivables	2,812	11,758	413	35,375	3,225	47,133
Tax recoverable	2,228	-	-	-	2,228	-
Deferred tax assets	2,017	1,394	-	-	2,017	1,394
Cash and cash equivalents	8	16,661	64	112,081	72	128,742
	57,407	29,813	638,004	602,920	695,411	632,733
Amount due from life fund/(due to) shareholders' fund	208,950	209,064	(208,950)	(209,064)	-	-
Total assets	266,357	238,877	429,054	393,856	695,411	632,733
Equity, life fund and liabilities						
Total equity	266,301	235,507	(552)	-	265,749	235,507
Insurance contract liabilities	-	-	363,028	349,353	363,028	349,353
Insurance payables	-	-	55,955	36,712	55,955	36,712
Other payables	56	38	10,623	7,791	10,679	7,829
Current tax liabilities	-	3,332	-	-	-	3,332
Total life fund and liabilities	56	3,370	429,606	393,856	429,662	397,226
Total equity, life fund and liabilities	266,357	238,877	429,054	393,856	695,411	632,733

34. Reinsurance funds (continued)

Profit or Loss by Funds for the year ended 31 December 2016
Operating revenue

	Shareholders' Fund		Life Fund		Total	
	2016 RM' 000	2015 RM' 000 (restated)	2016 RM '000	2015 RM '000 (restated)	2016 RM '000	2015 RM '000 (restated)
Operating revenue	1,092	1,176	361,395	322,959	362,487	324,135
Gross reinsurance premiums	-	-	347,230	310,215	347,230	310,215
Premiums ceded to retrocessionaires	-	-	(135,062)	(128,629)	(135,062)	(128,629)
Net reinsurance premiums	-	-	212,168	181,586	212,168	181,586
Change in actuarial liabilities	-	-	(25,210)	1,841	(25,210)	1,841
Investment income	1,092	1,176	14,165	12,744	15,257	13,920
Realised gains	-	-	1,317	652	1,317	652
Fees and commission income	-	-	4	21	4	21
Other operating income-net	-	-	243	94	243	94
Other income	1,092	1,176	15,729	13,511	16,821	14,687
Gross benefits and claims paid	-	-	(233,918)	(213,645)	(233,918)	(213,645)
Claims retroceded to retrocessionaires	-	-	92,511	100,218	92,511	100,218
Gross change to claims liabilities	-	-	4,593	(27,281)	4,593	(27,281)
Change in claims liabilities retroceded to retrocessionaires	-	-	9,429	18,839	9,429	18,839
Net claims incurred	-	-	(127,385)	(121,869)	(127,385)	(121,869)
Commission expense	-	-	(9,065)	(9,731)	(9,065)	(9,731)
Management expenses	(34)	(34)	(16,596)	(15,076)	(16,630)	(15,110)
Fair value losses	-	-	(302)	(810)	(302)	(810)
Other expenses	(34)	(34)	(25,963)	(25,617)	(25,997)	(25,651)
	1,058	1,142	49,339	49,452	50,397	50,594
Transfer from Revenue Account	49,339	49,452	(49,339)	(49,452)	-	-
Profit before tax	50,397	50,594	-	-	50,397	50,594
Tax expense	(8,290)	(12,408)	-	-	(8,290)	(12,408)
Profit for the year after tax	42,107	38,186	-	-	42,107	38,186

34. Reinsurance funds (continued)

Cash flows by Funds for the year ended 31 December 2016

	Shareholders' Fund		Life Fund		Total	
	2016	2015	2016	2015	2016	2015
	RM' 000	RM' 000	RM '000	RM '000	RM '000	RM '000
Cash flows (used in)/ generated from:						
Operating activities	(54,648)	14,404	(62,202)	105,338	(116,850)	119,742
Investing activities	-	-	(365)	(221)	(365)	(221)
Financing activities	37,996	-	(49,451)	(8,914)	(11,455)	(8,914)
Net (decrease)/increase in cash and cash equivalents	(16,652)	14,404	(112,018)	96,203	(128,670)	110,607
Cash and cash equivalents at beginning of year	16,661	2,257	112,081	15,878	128,742	18,135
Cash and cash equivalents at end of year	9	16,661	63	112,081	72	128,742

35. Comparative figures

In the current financial year, prepaid premiums received which was included under insurance payables was reclassified to insurance contract liabilities. The effects of the reclassification on the comparatives are disclosed below:

Statement of Financial Position

	Note	31.12.2015 RM '000 As restated	31.12.2015 RM '000 As previously stated	1.1.2015 RM '000 As restated	1.1.2015 RM '000 As previously stated
Insurance contract liabilities	11	349,353	320,900	312,553	283,595
Insurance payables	13	36,712	65,165	32,095	61,053

Statement of profit or loss and other comprehensive income

	Note	31.12.2015 RM '000 As restated	31.12.2015 RM '000 As previously stated
Operating revenue	15	324,135	324,640
Gross reinsurance premiums	15	310,215	310,720
Net reinsurance premiums		181,586	182,091
Change in actuarial liabilities		1,841	1,336

The above reclassification does not have any impact on the profit after tax of the Company.

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 19 to 78 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors:

....

Dato Koh Yaw Hui
Director

....

Peter Tan Hock Hwee
Director

Kuala Lumpur,

Date: 28 March 2017

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Statutory Declaration pursuant to Section 251(1)(b) of the Companies Act, 2016

I, **Liew Pek Hin**, the Officer primarily responsible for the financial management of Malaysian Life Reinsurance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 19 to 78 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Liew Pek Hin, NRIC: 621116-08-5387, in Kuala Lumpur on 28 March 2017.

....
Liew Pek Hin

Before me:

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
MALAYSIA

No.10-1, Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
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8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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Independent auditors' report to the members of Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysian Life Reinsurance Group Berhad which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 78.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Company does not cover the Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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 the Directors' Report, 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment 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 internal control of the Company.

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

KPMG

Company No. 417867-K

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Mok Wan Kong
Approval Number: 02877/12/2018 J
Chartered Accountant

Petaling Jaya
28 March 2017