

CLICK BUY PROTECT

INSURANCE MADE EASY

Annual Report 2016

TUNE PROTECT GROUP BERHAD

(Company No. 948454-K)



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			Sixth Annual General Meeting



VISION

Leading Digital Insurer

Tune Protect Group Berhad will be recognised as THE Leading Digital Insurer, distinctive in its culture, processes and people with a strong customer loyalty proposition. We will operate as a high performing digital champion, consistently striving for customer experience excellence in sales and service.

MISSION

We believe that everyone deserves to be protected. That is why we are committed to making insurance easy to understand, easy to buy, easy to claim, easy to access and easy on the pocket. We pair digital technology with a human touch to deliver excellent products and services to our customers.

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CORE VALUES



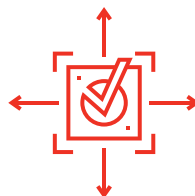
Integrity

We do not compromise on principles and ethical standards. Respect and trust are at the core of everything we do.



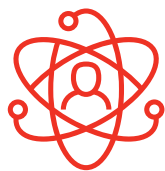
Passion

When passion is in the equation, our hearts are in it every step of the way.



Simplicity

Why say it in 10 steps when you can do it in 3? We believe in not complicating things.



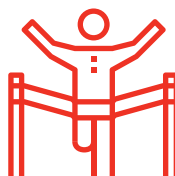
Innovation

We are curious. We push the boundaries of norm so we can do things better.



Agility

We don't wait, we anticipate. We work together to give solutions to everyone we serve, ahead of time.



Fun

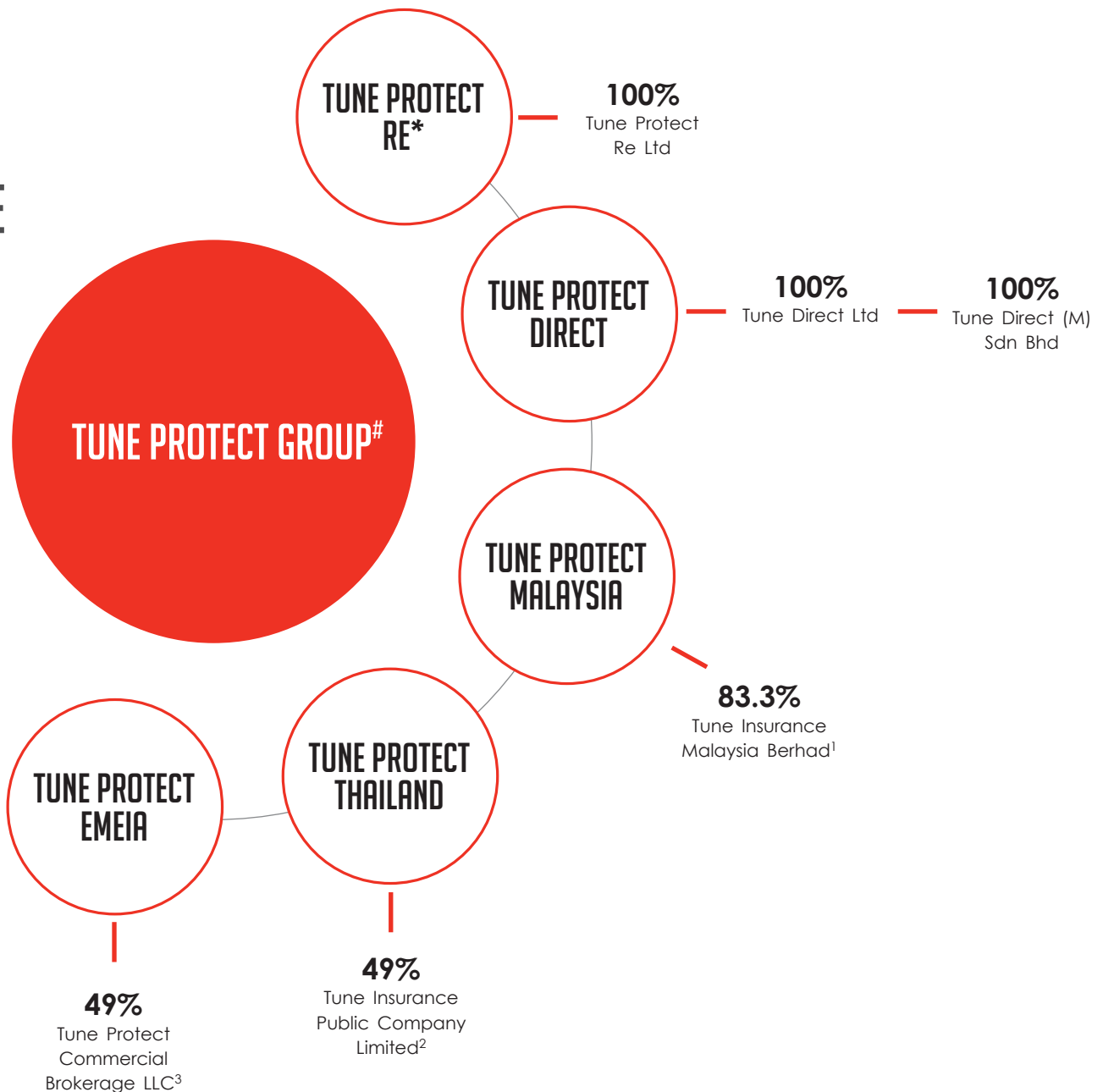
We work hard, we play harder. Fun is what keeps our bond stronger.

ABOUT US

TUNE PROTECT GROUP BERHAD ("TUNE PROTECT GROUP" OR "THE COMPANY") IS A FINANCIAL HOLDING COMPANY THAT PROVIDES UNDERWRITING AND REINSURANCE SERVICES FOR NON-LIFE INSURANCE PRODUCTS THROUGH ITS SUBSIDIARY AND ASSOCIATE COMPANIES. INCORPORATED IN 2011, THE COMPANY WAS LISTED ON THE MAIN MARKET OF BURSA MALAYSIA IN 2013. TRUE TO ITS VISION OF BECOMING THE LEADING DIGITAL INSURANCE PROVIDER, TUNE PROTECT GROUP HAS BEEN INSTRUMENTAL IN CHANGING THE NATIONAL INSURANCE LANDSCAPE, SPEARHEADING EFFORTS IN ADVANCING INSURANCE INTO THE DIGITAL SPACE ACROSS ASEAN AND BEYOND.



CORPORATE STRUCTURE



Notes:

1. The remaining 16.7% is owned by minority and unrelated shareholders
2. The remaining 51% is owned by various Thai partners including Osotspa Co. Ltd.
3. The remaining 51% is owned by Cozmo Travel LLC

[#] Tune Protect Group owns 80% of Tune Insurance (Labuan) Ltd and the remaining 20% is owned by Multi-Purpose Capital Holdings Berhad (Tune Insurance (Labuan) Ltd was placed under Members' Voluntary Winding-up on 30 December 2016)

^{*} Tune Protect Re owns 100% of Tune Insurance PCC Ltd (Tune Insurance PCC Ltd has surrendered its Labuan captive insurer's license on 3 October 2016)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ng Soon Lai @ Ng Siek Chuan

Acting Chairman, Senior Independent Non-Executive Director

Tan Sri (Dr.) Anthony Francis Fernandes

(widely known as Tan Sri (Dr.) Tony Fernandes)
Non-Independent Non-Executive Director

Datuk Kamarudin bin Meranun

Non-Independent Non-Executive Director

Tan Ming-Li

Independent Non-Executive Director

AUDIT COMMITTEE

Tan Ming-Li

Ng Soon Lai @ Ng Siek Chuan

Datuk Kamarudin bin Meranun

RISK MANAGEMENT COMMITTEE

Tan Ming-Li

Ng Soon Lai @ Ng Siek Chuan

Datuk Kamarudin bin Meranun

NOMINATION AND REMUNERATION COMMITTEE

Tan Ming-Li

Ng Soon Lai @ Ng Siek Chuan

Datuk Kamarudin bin Meranun

INVESTMENT COMMITTEE

Datuk Kamarudin bin Meranun

Ng Soon Lai @ Ng Siek Chuan

Razman Hafidz bin Abu Zarim

ESOS COMMITTEE

Datuk Kamarudin bin Meranun

Razman Hafidz bin Abu Zarim

Shirley Chen Ooi Wai

Yap Hsu Yi

SENIOR INDEPENDENT DIRECTOR

Ng Soon Lai @ Ng Siek Chuan

COMPANY SECRETARY

Jasmindar Kaur A/P Sarban Singh
(MAICSA 7002687)

AUDITOR

Ernst & Young

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Wilayah Persekutuan

Kuala Lumpur, Malaysia

Tel : (603)-7495 8000

Fax : (603)-2095 5332

REGISTERED OFFICE

Tune Protect Group Berhad

(Company No. 948454-K)

B-13-15, Level 13

Menara Prima Tower B

Jalan PJU 1/39 Dataran Prima

47301 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : (603)-7491 4318

Fax : (603)-7887 2318

E-Mail : hello@tuneprotect.com

Website : www.tuneprotect.com

HEAD OFFICE

Level 9, Wisma Tune

19 Lorong Dungun

Damansara Heights

50490 Wilayah Persekutuan

Kuala Lumpur, Malaysia

General Line : (603)-2056 6200

Fax : (603)-2092 1029

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel : (603)-7841 8000

Fax : (603)-7841 8008

PRINCIPAL BANKER

HSBC Bank Malaysia Berhad

SOLICITOR

Azman Davidson & Co.

Suite 13.03, 13th Floor

Menara Tan & Tan

207 Jalan Tun Razak

50400 Wilayah Persekutuan

Kuala Lumpur, Malaysia

Tel : (603)-2164 0200

Fax : (603)-2164 0280

STOCK EXCHANGE LISTING

Main Market Of Bursa Malaysia
Securities Berhad

(Listed Since 20 February 2013)

(Stock Code: 5230)



2016 AT A GLANCE

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Digital

Type



Channels & Partnerships



Reach



Policies

Global Travel Tune Protect Re and Tune Protect EMEA



Business-to-Consumer Website
tuneprotect.com/airasia

Airline Partnership with

- ✈ AirAsia
- ✈ Air Arabia
- ✈ Malayan Insurance Company, Inc for Cebu Pacific Air's inbound passenger into Philippines

Business-to-Consumer

12 markets launched

Regional Footprints in

54 countries & territories; and

16 inbound markets
(AirAsia and Air Arabia)

7.1 MILLION

policies sold

e-Commerce



Direct-to-Consumer
tuneprotect.com



Mobile App

Non-airline and e-Commerce related partnerships:

- ✓ **Online provider:** aggregator, currency exchange platform
- ✓ **Automotive:** leading ride sharing app, online automotive site
- ✓ **Services provider:** baggage wrap insurance, overseas Wi-Fi router, and video on-demand service

Direct-to-Consumer & Mobile App
Launched in **Malaysia**



More than

7,500

policies sold
(close to 500% growth yoy)

General Insurance

Type



Financials

Tune Protect Malaysia

More than

100% growth yoy

Underwriting Profit
RM25.6 MIL

73.9% growth yoy

Profit After Tax
RM40.1 MIL

Tune Protect Thailand

49% share of profit

More than

100% growth yoy

Underwriting Profit
RM3.3 MIL

More than

100% growth yoy

Profit After Tax
RM2.8 MIL

Financial Highlights

Tune Protect Group

+18.8%

Profit After Tax
RM86.6 MIL

+9.6%

Net Earned Premiums
RM333.0 MIL

+7.6%

Operating Revenue
RM516.6 MIL

+10.1%

Shareholders' Equity
RM496.6 MIL

+16.0%

Earnings Per Share
10.6 SEN

+0.8%

Return On Equity
16.1%





FINANCIAL CALENDAR

Quarterly Results

27 MAY 2016

UNAUDITED CONSOLIDATED RESULTS FOR THE
1ST QUARTER ENDED 31 MARCH 2016

19 AUGUST 2016

UNAUDITED CONSOLIDATED RESULTS FOR THE
2ND QUARTER AND HALF-YEAR ENDED
30 JUNE 2016

25 NOVEMBER 2016

UNAUDITED CONSOLIDATED RESULTS FOR THE
3RD QUARTER AND 9 MONTHS ENDED
30 SEPTEMBER 2016

23 FEBRUARY 2017

UNAUDITED CONSOLIDATED RESULTS FOR THE
4TH QUARTER AND FINANCIAL YEAR ENDED
31 DECEMBER 2016

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**NOTICE OF 6th
ANNUAL GENERAL
MEETING AND
ISSUANCE OF ANNUAL
REPORT 2016
28 APRIL 2017**

**6th
ANNUAL GENERAL
MEETING
22 MAY 2017**

Dividend

4 MAY 2016

NOTICE OF BOOK CLOSURE FOR
FINAL TAX EXEMPT DIVIDEND UNDER
SINGLE TIER SYSTEM OF 5.00 SEN PER
ORDINARY SHARE OF RM0.10 EACH

3 JUNE 2016

DATE OF ENTITLEMENT FOR
FINAL TAX EXEMPT DIVIDEND
UNDER SINGLE TIER SYSTEM OF
5.00 SEN PER ORDINARY SHARE
OF RM0.10 EACH

1 JULY 2016

PAYMENT OF FINAL TAX EXEMPT
DIVIDEND UNDER SINGLE TIER
SYSTEM OF 5.00 SEN PER
ORDINARY SHARE OF RM0.10
EACH

PROTECT YOUR PRECIOUS MOMENTS

Tune Protect Travel Easy is your answer to a worry-free domestic or overseas trip, with 22 comprehensive travel benefits. Our online claim system is so easy to use, you can check your benefits and instantly file a claim by uploading a picture of the required supporting documents. It's truly insurance made easy.





CORPORATE EVENTS HIGHLIGHTS

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JANUARY

Tune Protect Thailand New Year media visit



FEBRUARY

Tune Protect at the Asian Aviation Festival @ Suntec Singapore Convention & Exhibition Centre



Tune Protect Malaysia partnered with Super Strap to provide you FREE baggage insurance @ KLIA



MAY

Official Insurance partner for Malaysia Super League and TM Malaysia Cup



JUNE

Tune Protect Group's 5th Annual General Meeting



JULY

Town Hall and Welcoming our new CEO

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AUGUST

Together with Teddy at MITM Travel Fair 2016 @ Mid Valley Exhibition Centre



SEPTEMBER

Participated in Bursa Bull Charge Run @ Kuala Lumpur



OCTOBER

Children's Day Activity @ Rumah Kebajikan Mary



In support of Blind Leading the Blind by Petaling Jaya Lions Club @ Dataran Petaling Jaya



NOVEMBER

One Spirit, One Team, Everyone Wins – Tune Protect Employees at our Teambuilding Challenge



DECEMBER

Tune Protect wins YouTube Award for Best Animated Video



Tune Protect Group's A Magical Christmas Party @ Pullman Kuala Lumpur

INVESTOR RELATIONS

Investor Relations ("IR") plays a significant role in ensuring that shareholders, investors, and other stakeholders are well informed of the business development and progress of the Group. As a public listed company, we adhere to stringent regulatory requirements, placing high emphasis on transparency and practicing good corporate governance at all times.

Annual General Meeting

Our 5th Annual General Meeting was held on 3 June 2016, and for the first time in a cinema – MM2 Cineplexes (formerly Cathay Cineplexes), Kuala Lumpur.

Our Group CEO provided an update to our shareholders on our key achievements in 2015 and first quarter of 2016 as well as our strategic directions moving forward. We also provided responses to queries raised by our shareholders, analysts and the Minority Shareholder Watchdog Group.

We received a positive response from our shareholders whereby all resolutions under Ordinary and Special Businesses as contained in the Notice of AGM dated 4 May 2016 were duly passed by the shareholders.

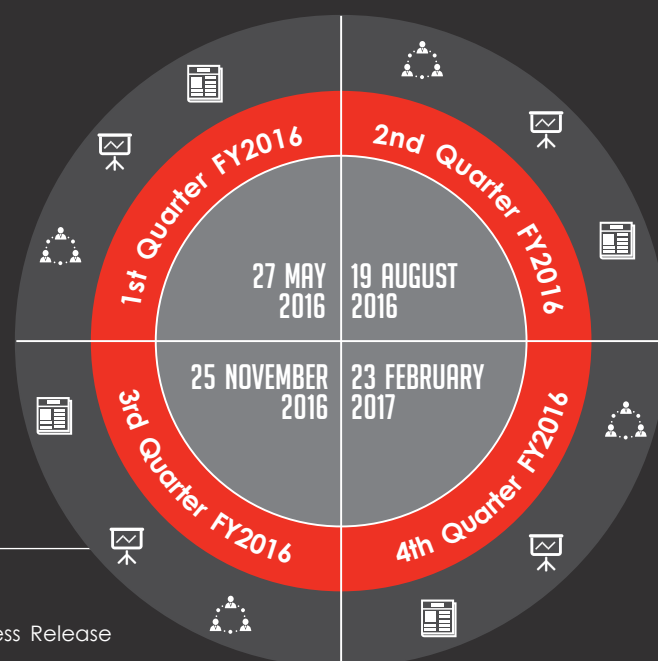


5th Annual General Meeting – MM2 Cineplexes, 3 June 2016

Analyst Briefings

We conducted four analyst briefings via teleconference on the same day as the announcement of our quarterly financial results during the year.

We also ensured that the analyst presentations, quarterly financial statements, and press releases were provided to all interested parties and made available immediately on the IR page of the Group's corporate website, quarterly.



Analyst Briefing via Teleconference



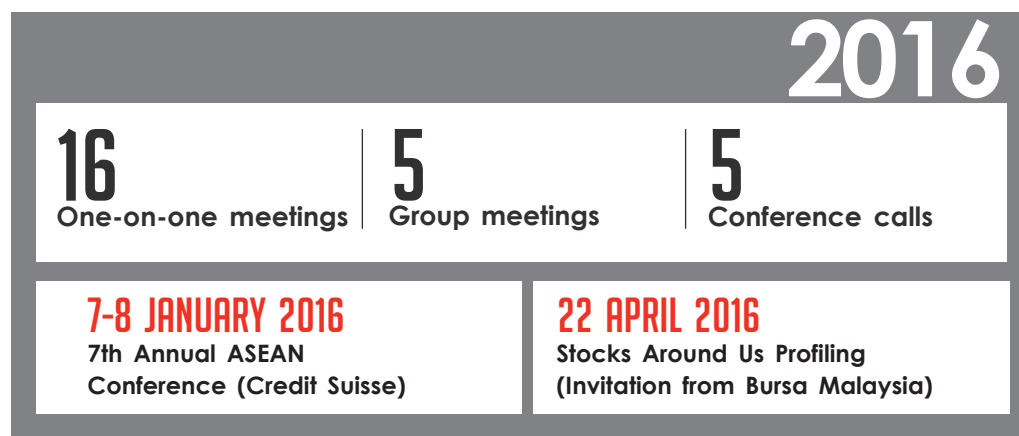
Publication on IR page of Company's corporate website



Analyst Presentations & Financial Statements



Press Release



Investor Meetings, Conferences & Events

Our Senior Management and IR personnel engaged with both domestic and international analysts as well as institutional investors through one-on-one and group meetings, conference calls and conferences in Malaysia and internationally throughout 2016 to ensure dissemination of sound information to the investment community.

Research Coverage

We are covered by the following research houses, reflecting interests from domestic and foreign investment communities.

RESEARCH HOUSES

- CIMB INVESTMENT BANK**

CLSA SECURITIES

CREDIT SUISSE SECURITIES#

KAF-SEAGROATT & CAMPBELL SECURITIES

MACQUARIE RESEARCH *

MIDF AMANAH INVESTMENT BANK

RHB RESEARCH

UOB KAY HIAN RESEARCH *

Ended due to a realignment of their coverage

* New coverage added during 2016

Credit Ratings

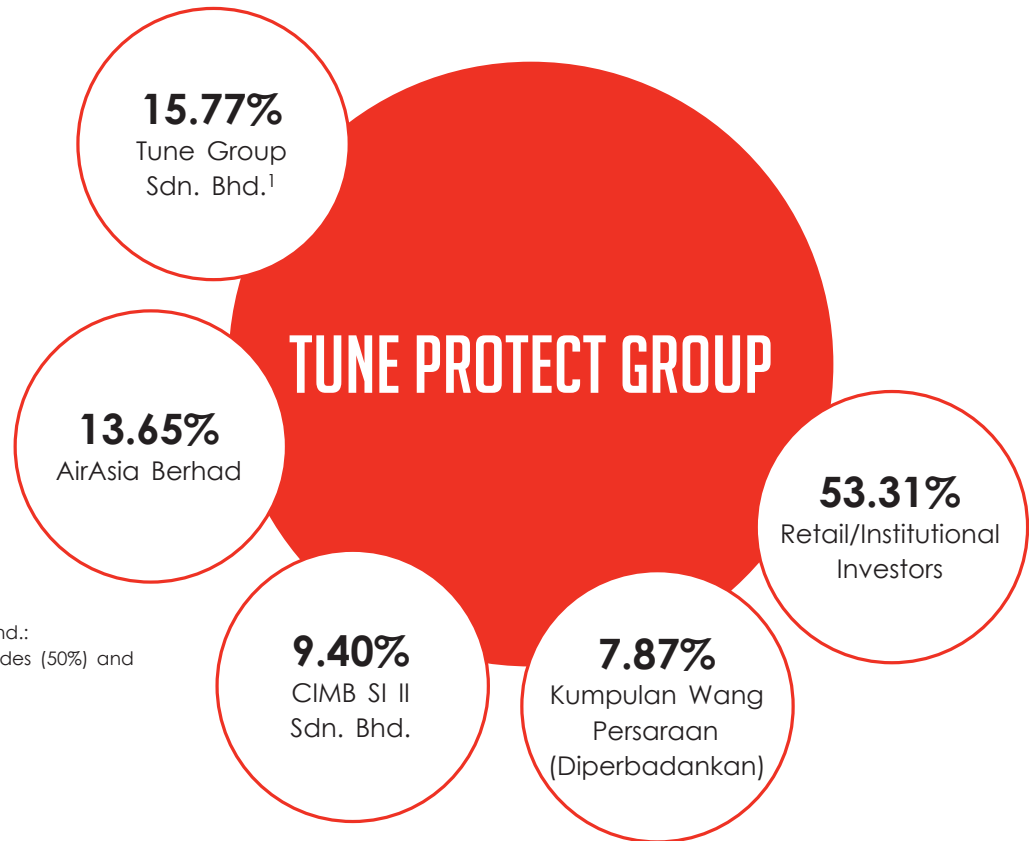
Our and Tune Protect Re's credit ratings are rated annually by a domestic rating agency – RAM Ratings Services Berhad ("RAM Ratings") and a foreign rating agency – A.M. Best Asia Pacific (Singapore) Pte. Ltd. ("AMBAPS"). These ratings provide stakeholders an independent assessment of our financial position and creditworthiness.

Rating Agency	Date Issued	Rating Classification		Ratings	Outlook
RAM Ratings	27 June 2016	Tune Protect Group	Long-term Corporate Credit Rating	A ₁	Stable
			Short-term Corporate Credit Rating	P1	
		Tune Protect Re	Long-term Claims Paying Ability Rating	_{sea} A ₁	Stable
			Short-term Claims Paying Ability Rating	_{sea} P1	
AMBAPS	14 July 2016	Tune Protect Re	Best's Financial Strength Rating	B++	Stable
			Best's Issuer Credit Rating	bbb+	



Shareholding Analysis

Shareholding Structure
(as at 10 April 2017)

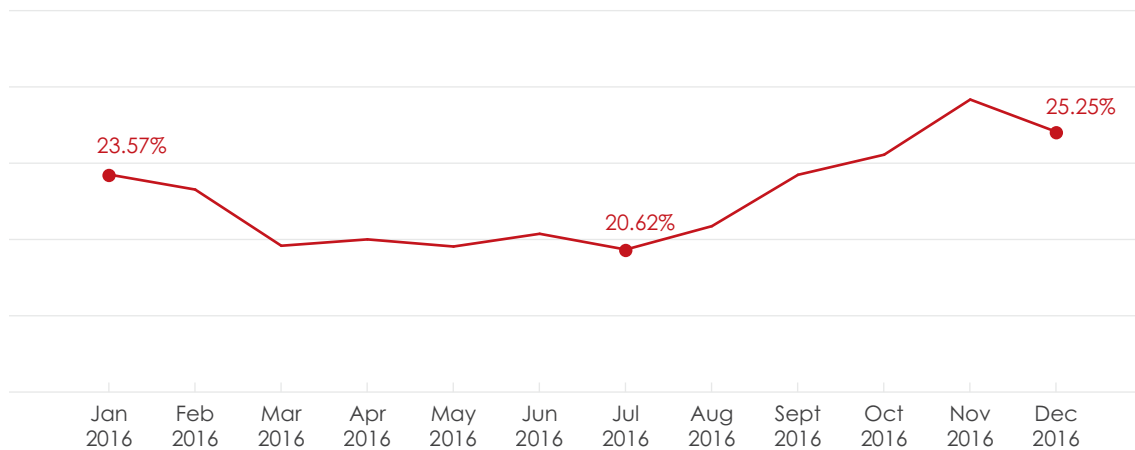


Note:

1. Shareholders of Tune Group Sdn. Bhd.:
Tan Sri (Dr.) Anthony Francis Fernandes (50%) and
Datuk Kamarudin Meranun (50%)

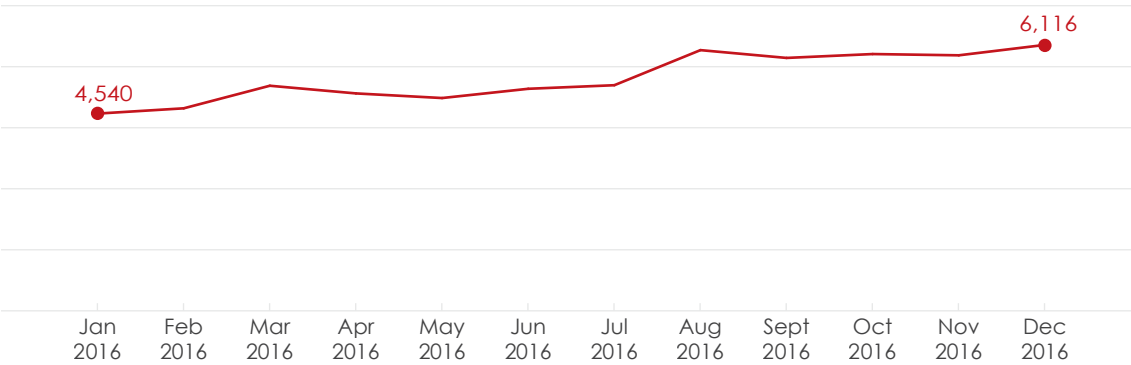
Foreign Shareholdings

As at December 2016, foreign shareholdings stood at 25.25%, an upward trend from its lowest of 20.62% as at July 2016, reflecting continued foreign interest in Tune Protect Group.



Number of Shareholders

As at December 2016, the number of shareholders of Tune Protect Group stood at an all time peak of 6,116.

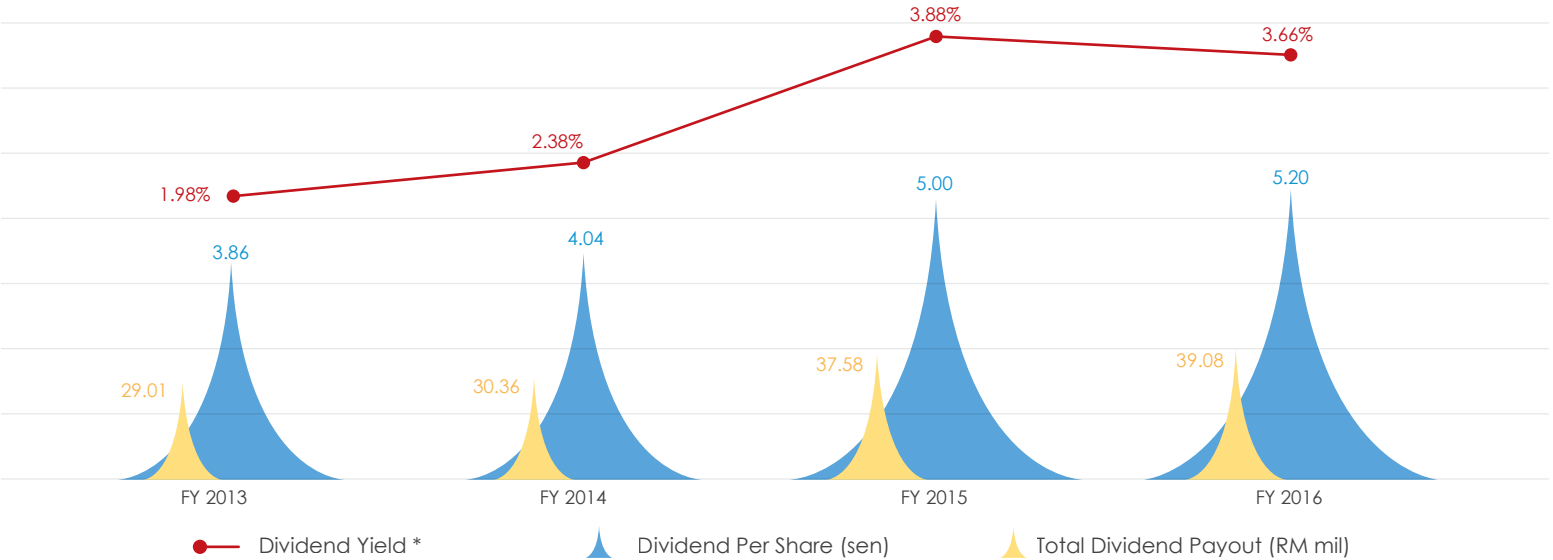


Dividends

Tune Protect Group continuously delivers value to shareholders through various avenues, including through the distribution of dividends.

Since our Initial Public Offering in 2013, Tune Protect Group has been paying dividends to our shareholders as an expression of our gratitude to shareholders for their continuous support.

For the financial year ended 31 December 2016, the Board of Directors has proposed a final dividend of 5.20 sen per Ordinary Share of RM0.10 each, which translates into a dividend yield of 3.66% and total dividend payout of RM39.08 million.



* Based on the closing share price of Tune Protect Group as at the last trading day of each financial year end.

Investor Relations Contact

Tune Protect Group appreciates and welcomes feedback or enquiries relating to IR and can be contacted at ir@tuneprotect.com.

You may also visit our website or subscribe to our email alerts to receive regular updates about the Group at www.tuneprotect.com/corporate/group/investor-relations



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CORPORATE RESPONSIBILITY

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INSURANCE MADE EASY

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TO CREATE SUSTAINABLE

LONG-LASTING POSITIVE IMPACT... BY ENSURING THE PROTECTION OF TODAY'S GENERATION AND EMPOWERING THEM FOR TOMORROW'S CHALLENGES AND ISSUES.

Tune Protect Group strongly believes that every corporate organisation has a responsibility towards its stakeholders, key among them being shareholders, customers, employees and local communities. Recognising the contributions of our stakeholders to our ongoing journey, we make a conscious effort to reciprocate in ways that we can.

We look after our shareholders' interests by ensuring our organisation is run profitably. We care for our customers by developing products that are simple, affordable and accessible, and which protect them from many of life's uncertainties. We offer an open and dynamic work environment for our employees and empower them to make a success of their careers with us. As for our local communities, we take pains to provide for the less privileged – to spend time with them to show we care, and to give in ways that are meaningful and make a difference to their lives.

In this corporate responsibility ("CR") report, we focus on the ways in which we care for our

communities as well as employees, while our efforts to create value for our shareholders and customers are adequately covered in our Management Discussion & Analysis.

During the year, we engaged with our employees to determine how they would like us to make our CR programme more meaningful, with more sustainable outcomes. From this discourse, we have created a new vision for our CR, namely "to create sustainable, long-lasting positive impact... by ensuring the protection of today's generation and empowering them for tomorrow's challenges and issues".

Our new CR programme is based on the United Nations' Sustainable Goals, and focuses on three areas: personal safety, road safety and education. We made a start on these areas in 2016, but will be rolling out more programmes to fulfil our strategic themes in 2017 and beyond. Over the next few pages, we will describe the activities undertaken in 2016 based on the three pillars.



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Personal Safety

Tune Protect Group provided RM10 million worth of personal accident coverage to 200 individuals who have made it their mission to provide life-saving services to others. On 14 September, we presented the insurance plans to long-serving members of the National Council of St John Ambulance of Malaysia, in recognition of their selfless volunteerism with the organisation that provides first aid assistance, 24-hour emergency ambulance services, as well as haemodialysis and home nursing care services.

We also donated RM55,000 to the Blind Leading the Blind Charity Walk on 9 October which is aimed at creating awareness of what it feels like for the visually impaired to walk on our roads. Organised by the Tun Hussein Onn National Eye Hospital and Petaling Jaya Lions Club, it also served to help raise money for eye treatment of those who cannot afford it.

During the 3km walk, held around Dataran Petaling Jaya, participants walked in pairs with one partner being blindfolded and led by the other for half the walk, and then switching roles. More than 1,000 people took part in the event.

Over the last 12 years, the walk has raised a total of about RM1 million, of which RM850,000 has been used for treatment and surgery of 20,000 underprivileged Malaysians, including the elderly.

To protect the young, Tune Protect Group donated RM35,000 to support Cobra Mini 10s, the first ever rugby tournament for young children. Funds were channelled to provide tents as well as to ensure that the necessary medical and auxiliary services were on site during the tournament held at Padang Astaka, Petaling Jaya on 15 November.

Other Community Engagements

We once again participated in the Bursa Bull Charge Run, sending a team of six led by our Group Chief Executive Officer. Over and above their participation, we donated RM13,000 to Yayasan Bursa Malaysia which channelled the funds collected to various worthy causes. Separately, we donated RM10,000 to Relay for Life, a global event held in support of cancer survivors as well as in remembrance of its victims. We also ran a 'Donate Blood, Save A Life' campaign with employees on 14 September, which resulted in the Company pledging RM5,000 towards helping with the living expenses of the children at Rumah Kebajikan Mary.

Before the year closed, we organised a 'Sponsor a Kid Back to School – with Rumah Kebajikan Mary' campaign. Employees sponsored children at the home by providing them with complete sets of school uniforms for the upcoming school year, each set costing about RM120. The home cares for 48 school-going children and we targeted to provide each child with two sets of school essentials. In total, our employees contributed 96 sets of uniforms together with 96 pairs of shoes and socks, enabling the children to begin the 2017 academic year on a positive note. Even more exciting for the children, they were taken on a shopping spree to Aeon Wangsa Maju on 21 December by 16 volunteers from Tune Protect Group and Tune Protect Malaysia to buy their school essentials.



**“WE SUPPORT ALL KINDS OF COMMUNITY-BUILDING ACTIVITIES,
OUR FOCUS IS TO ENHANCE THE LIVELIHOOD OF THE PEOPLE.”**



**“OUR PEOPLE ARE OUR STRENGTH,
WE VALUE AND RESPECT OUR EMPLOYEES.”**

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**“WE KEEP OUR
EMPLOYEES UPDATED
THROUGH CONSTANT
ENGAGEMENTS AND
COMMUNICATIONS.”**

Employee Engagement

We believe in creating an inclusive work environment in which all employees feel valued and respected as contributing members of the Company. Towards this end, we empower our employees to carry out their work functions to the best of their ability, reward them according to their performance, and engage with them regularly to keep them updated on corporate developments, our strategies and business direction.

Our Group CEO addresses the entire team at town hall sessions, held twice a year, during which important announcements are made. In addition, as of early August, our new Group CEO has been hosting groups of up to 12 employees to Breakfast with Razman sessions. A total of nine sessions were held in 2016, and based on the positive response, we will be continuing with these informal chats in 2017 and beyond. Employees are also kept updated on corporate news via our internal email channel, CatchtheBuzz, which was launched on 5 September.

Various team-building sessions are also held to create a sense of camaraderie, enable employees to get to know others from different departments, and strengthen the ability to work together as teams. For the first time, in November, we organised a teambuilding session for employees from the different businesses under Tune Protect Group – namely digital business, reinsurance and general insurance. It involved a walk-hunt around the Kuala Lumpur City Centre and KL Sentral. Employees also did a mannequin challenge.

Another first was created with the Heart Health Month campaign, which ran throughout September. This saw various events to create greater awareness of the importance of maintaining a healthy, well-functioning heart, and the lifestyle changes that are necessary to achieve this.

Leadership Development

As we grow, we are strengthening our leadership bench by identifying potential leaders for key roles and putting in place a structured succession planning platform. Where possible, we believe in growing our own leaders, but if necessary we bring in external talent with the right capabilities to ensure we meet our business goals.

We are also embarking on a leadership development programme to ensure the right 'tone at the top' with a focus on aligning our senior management with the Company's vision and values. The programme kicked off in January 2017 with a workshop on self-awareness and effective communication styles. This is to be followed by modules on our digital vision, values and people management.

**“WE ARE SERIOUS ABOUT
DOING BUSINESS THE
RIGHT WAY. WE RESPECT
OUR CO-WORKERS,
BUSINESS PARTNERS AND
SHAREHOLDERS.”**

Developing a High-Performance Culture

In order to cultivate a transparent, open and high-performance culture, we have introduced a new performance management process ("PMP") which places equal emphasis on business goals as well as key behaviours. In other words, how we achieve our goals is as important as our goals themselves. Under the new PMP, behavioural assessment forms a key component of annual appraisals for everyone in the organisation.

Along with the new PMP, we have started to run workshops on how to set SMART goals. These will be followed by workshops for Managers on How to Provide Effective Feedback in 2017.

Setting Our Code Straight

Going forward, we have developed a Code of Conduct ("CoC") which we expect all employees to adhere to within the workplace as well as in relation to any Tune Protect Group stakeholders. To help our employees internalise our revamped CoC, we are organising various activities throughout the month of April 2017 focusing on three key areas, namely Respect for Our Workplace, Respect for Our Business Partners and Respect for Our Shareholders.



PROTECT YOUR BELONGINGS

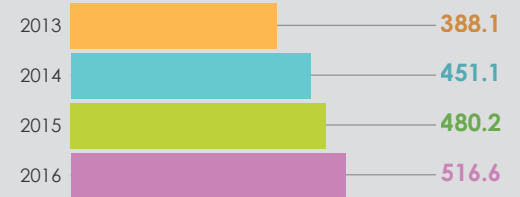
Our business is to keep you protected against life's uncertainties. With Tune Protect Guard Easy, you are covered in the event of snatch thefts and robberies that results in loss of cash and personal valuables. Get protected now in just 3 simple steps - Click. Buy. Protect.



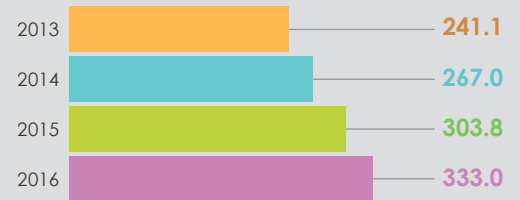


TUNE PROTECT GROUP

Operating Revenue (RM mil)



Net Earned Premiums (RM mil)



FINANCIAL HIGHLIGHTS

DIGITAL GLOBAL TRAVEL

TUNE PROTECT RE

Gross Written Premiums (RM mil)



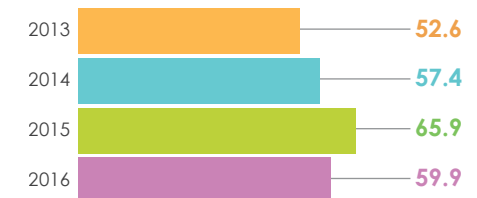
Total Policies Issued* (mil)



Net Earned Premiums (RM mil)



Profit After Tax (RM mil)

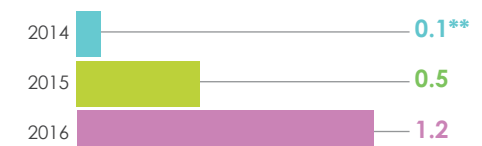


TUNE PROTECT EMEA

Total Policies Issued (100%) (thousand)

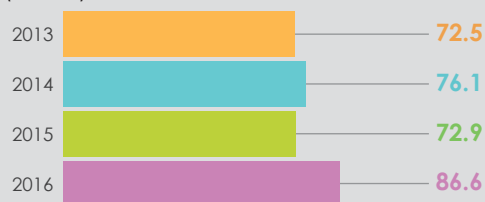


Profit After Tax (49%) (RM mil)

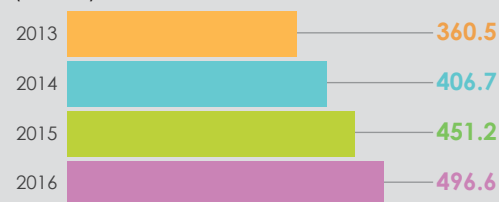


* includes travel policies issued via AirAsia, Air Arabia, Cebu Pacific Air, Cozmo Travel and others
** since April 2014

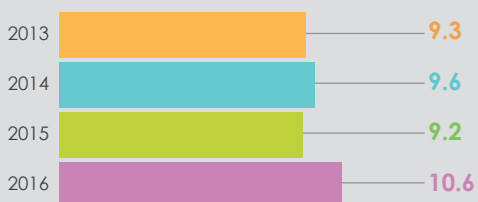
Profit After Tax
(RM mil)



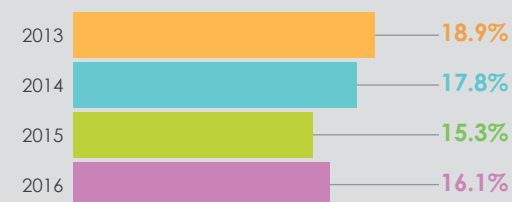
Shareholders' Equity
(RM mil)



Earnings Per Share
(RM sen)



Return On Equity
(%)



GENERAL INSURANCE

TUNE PROTECT MALAYSIA

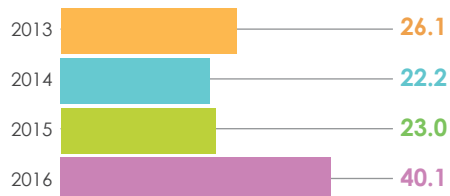
Gross Written Premiums
(RM mil)



Net Earned Premiums
(RM mil)

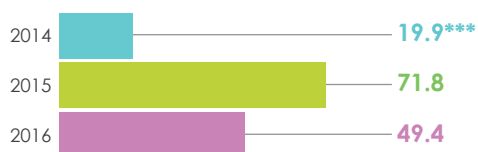


Profit After Tax
(RM mil)



TUNE PROTECT THAILAND

Gross Written Premiums (100%)
(RM mil)



Profit/(Loss) After Tax (49%)
(RM mil)



*** since acquisition in May 2014



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**RAZMAN HAFIDZ
BIN ABU ZARIM**

Group CEO, Tune Protect Group

MANAGEMENT DISCUSSION & ANALYSIS

Click • Buy • Protect
INSURANCE MADE EASY

pg. 028 annual report twenty sixteen

DEAR SHAREHOLDERS

I AM HAPPY TO NOTE THAT TUNE PROTECT GROUP CONTINUED TO GROW AND OUTPACE THE INDUSTRY AVERAGE IN 2016.

The Malaysian general insurance industry was rather subdued in 2016, reflecting a soft economic landscape accompanied by dampened consumer sentiment. According to Insurance Services Malaysia Berhad, it grew by 1.1%, one of the lowest rates in recent years. In addition, there was a shift in the operating landscape of online travel insurance and we had to contend with new regulations regarding airline ancillary services.

Yet, I am happy to note that Tune Protect Group continued to grow and outpace the industry. If anything, the economic slowdown has been timely, providing us with a window of opportunity to put in place the required people and processes to continue our transformation into a digital insurance provider in earnest. In line with the rebranding we undertook in 2015 and our corporate vision to be 'The Leading Digital Insurer', we invested considerable time and energy into developing our marketing campaigns, IT infrastructure and human capital to support our Direct-to-Consumer and Business-to-Business ("B2B") platforms for our digital business.

Rebranding marketing campaigns that were held during the year not only heightened Malaysians' awareness of the importance of insurance but also helped to further build our brand. Using an independent research agency, we ascertained that following our Tak Lak, Dr. Kartiwa and Bubble campaigns, more Malaysians were willing to consider and purchase protection by Tune Protect when they travel. Such was the impact of our marketing campaigns that our Head of Marketing, May Tan, was recognised and named one of the Most Influential Brand Leaders at the Global Brand Excellence Awards.

"PEOPLE ARE MORE AWARE OF THE TUNE PROTECT BRAND AS A RESULT OF VARIOUS MARKETING CAMPAIGNS."



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performance &
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**“BRINGING US CLOSER TO OUR CUSTOMERS AND ALLOWING US TO
CONNECT IN WAYS THAT WERE NOT POSSIBLE BEFORE.”**

Our digital agenda is not only about offering digital products and services, but also engaging our policyholders digitally and increasing our agents' efficiency by supporting their operations with digital processes. It is integral to our overarching agenda which is to simplify insurance and provide excellent customer experience to all stakeholders – our customers, our agents and us.

While focusing on our digital transformation, we continued to build our General Insurance and Digital Global Travel businesses, with encouraging results. Towards end 2016, our travel protection business in Malaysia was impacted by a newly-introduced requirement by the Malaysian Aviation Authority for airlines to provide an 'Opt-in' facility for travellers who wish to purchase ancillary products and services, including travel insurance. However, we were already prepared with several initiatives to face this new challenge in our operations, and are confident of recovery as discussed in greater detail under the Operations Review section of this Management Discussion & Analysis.

Financial Review

The Company performed well in 2016, especially in terms of our bottom line which met all our targets. We achieved an 18.8% growth in profit after tax ("PAT") to RM86.6 million. This was contributed mainly by our General Insurance operations in Malaysia, which saw a surge in PAT with greater focus on underwriting more profitable segments of business.

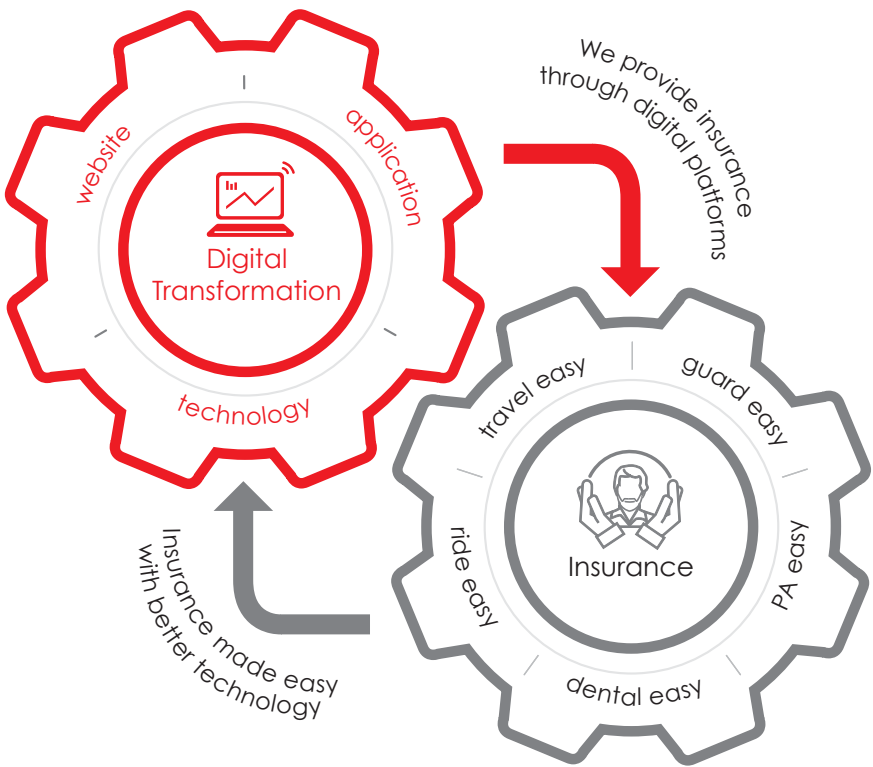
Our revenue also increased during the year, but at a slower pace. Operating revenue improved by 7.6% from RM480.2 million in 2015 to RM516.6 million, due to a 7.3% increase in gross earned premiums to RM486.3 million and 13.2% growth in investment income to RM30.3 million. Our gross written premiums ("GWP"), meanwhile, increased by 5.7% to RM501.0 million.

Despite the Opt-in ruling, Digital Global Travel business was still the largest contributor to Tune Protect Group's bottom line, recording a PAT of RM59.9 million. This, however, marked a 9.1% decrease from that achieved in 2015 mainly due to higher claim liabilities, despite a gain of RM3.1 million in foreign exchange. Along with a 17.7% drop in the number of policies issued to 7.1 million in 2016, its GWP shrank by 4.1% to RM124.0 million.

Our business in the Middle East, facilitated by Tune Protect EMEA also recorded solid growth. GWP increased by 49.4% to RM13.0 million mainly from expansion into new markets and increased sales. Tune Protect Group's share of its profits increased by over 100% to RM1.2 million.

18.8%
GROWTH IN PAT TO
RM86.6 MILLION

5.7%
INCREASE IN GWP TO
RM501.0 MILLION



“WE ARE MAKING TREMENDOUS INROADS INTO DIGITAL INSURANCE AND THE NUMBERS OF OUR DIGITAL BUSINESS FURTHER PROVES OUR CLAIMS.”



Our General Insurance business in Malaysia, Tune Protect Malaysia, saw a 5.6% increase in GWP to RM437.2 million mainly from growth in the motor, fire and workers' compensation sectors. Complemented by a further increase in retention ratio to 50.5%, Tune Protect Malaysia was also able to increase its net earned premiums by 16.1% to RM208.8 million. Meanwhile, its PAT grew by 73.9% to RM40.1 million which was a direct result of the focus on underwriting profitable classes of business, particularly workers' compensation, and a decrease in net claims ratios. This was further boosted by an increase in its share of profits from the Malaysian Motor Insurance Pool ("MMIP"). Without the MMIP contribution, its PAT would have still grown by an impressive 18.5%.

Meanwhile, our General Insurance business in Thailand, Tune Protect Thailand, saw a drop in GWP as it ceased writing non-profitable portfolios. More positively, prudent spending led to greatly enhanced profit margins and a commendable turnaround from a loss after tax for 2015 to a PAT of RM6.6 million this year. Our share of its profits increased by nearly 200% from the previous year to RM2.8 million.

As a result of strengthening our Direct-to-Consumer business, and although the numbers are still relatively modest, the business achieved close to 500% growth with a total of more than 7,500 policies issued in 2016, recording GWP of more than RM463,000, of which GWP for our airline-independent travel insurance, Tune Protect Travel Easy, accounted for about RM440,000.

"WE HAVE A USER-FRIENDLY DIRECT-TO-CONSUMER WEBSITE TO MAKE OUR PRODUCTS MORE ACCESSIBLE; WE HAVE SIMPLIFIED MORE PRODUCTS AND ADDED THEM ONTO OUR ONLINE PLATFORM; AND WE HAVE MADE THE PROCESS OF PURCHASING THEM MUCH SIMPLER."



**“TUNE PROTECT
MALAYSIA MAINTAINED
ABOVE INDUSTRY
AVERAGE GROWTH
WHILE TUNE PROTECT
THAILAND TURNED THE
BUSINESS BACK INTO
THE BLACK.**

**OUR
DIRECT-TO-CONSUMER
BUSINESS CONTINUES
TO GROW IN
SIGNIFICANCE,
REGISTERING VERY
ENCOURAGING
NUMBERS.”**

“OUR RESULTS REFLECT OUR CONTINUED FOCUS ON DELIVERING POSITIVE RETURNS.”



Financial Position & Liquidity

The Company's total assets as at end 2016 stood at RM1.3 billion, marking a 4.5% growth from end 2015, mainly from increased deposit placements as well as investments in debt securities and unit trust funds. This, in turn, led to a 10.1% appreciation in net asset value per ordinary share attributable to owners of the parent to RM0.66 from RM0.60 in 2015.

Enhanced profits and working capital management led to a 49.9% improvement in net cash generated from operating

activities to RM125.2 million versus RM83.5 million in 2015. This almost tripled the use of cash for investment purposes, from RM42.9 million in 2015 to RM116.6 million, principally in short-term deposits and unit trust funds, as well as debt securities. These yielded average effective interest rates in the range of 3.7% to 5.0%. With this increase in the utilisation of cash for investment, Tune Protect Group's cash and cash equivalents decreased by 39.1% from 2015 to a still healthy RM48.5 million.

5.2 SEN

FINAL SINGLE TIER DIVIDEND PER ORDINARY SHARE



Capital & Resources Management

The Company's committed capital expenditure stood at RM17.2 million as at end 2016. Based on our sound financial position, we are able to fund the capital expenditure and any growth plans in the coming year without external financing.

We practise prudent capital management to comply with working fund, capital adequacy and solvency requirements as prescribed by the Labuan Financial Services and Securities Act 2010 and the Financial Services Act 2013 for major subsidiaries.

There were no requirements for additional capital resources during the year, and our capital structure remained the same at year end.

Dividend

I am pleased to share that we are once again in a position to fulfil our dividend commitment of rewarding our shareholders with at least 40% of our PAT. The Board is declaring a final single tier dividend of 5.2 sen per ordinary share for the financial year ended 31 December 2016.

On 1 July 2016, we paid a final single tier dividend of 5.0 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares for the financial year ended 31 December 2015, amounting to RM37.6 million, which had been approved by shareholders on 3 June 2016.



OUR STRATEGIC PILLARS

01

Lead in Product Innovation
& Differentiation

02

Widen Distribution Channels
& Expand Reach

03

Deliver Exceptional
Customer Experience

Strategic Direction

At the time of our Initial Public Offering in February 2013, we stated that we would be guided in our future trajectory by five key strategies, namely to: 1) grow with AirAsia, our major airline partner; 2) become a global player in travel insurance; 3) strengthen our digital business; 4) write profitable general insurance lines; and 5) acquire another insurance company within the region.

While we have by and large stayed true to these strategies, we are placing greater emphasis on our digitalisation journey as we believe this would provide us with the greatest potential for growth, enabling us to differentiate ourselves in the market to serve our customers better. Indeed, our rebranding was a direct response to this realisation and we have made our vision of becoming The Leading Digital Insurer our primary goal with all other undertakings supporting it.

To realise our Digital ambitions, we have refined our strategies from five to three key focus areas: 1) lead in product innovation and differentiation; 2) widen distribution channels and expand reach; and 3) deliver exceptional customer experience.

Much progress was made on these focus areas in 2016. We have a user-friendly Direct-to-Consumer website to make our products more accessible; we have simplified more products and added new offerings onto our online platform; and we have made the process of purchasing them much simpler.

At the same time, we have continued to grow with our first, and primary, airline partner, AirAsia. During the year, we expanded our coverage to include more of their markets – Brunei, New Zealand and India (domestic) – while providing inbound protection for travellers from Mauritius and Maldives into Malaysia. Diversifying beyond AirAsia, we increased our non-AirAsia business within the Digital Global Travel portfolio by 4 percentage points to 14%. However, we are judicious in our choice of other airlines or travel related organisations as partners and will be guided by the business potential of such partnerships. We believe, at this juncture, it is more conducive to become a global travel insurance player in the digital sense, hence the focus on our Direct-to-Consumer business.



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WE ARE ALSO STILL LOOKING FOR A SUITABLE ACQUISITION IN INDONESIA, WHICH IS THE THIRD LARGEST MARKET CONTRIBUTOR TO OUR TRAVEL BUSINESS AND THE BIGGEST MARKET IN ASEAN WITH A LARGE NUMBER OF ITS MORE THAN 260 MILLION POPULATION COMPLETELY UNPROTECTED. OUR GOAL IS TO HAVE AN INTEREST IN A GENERAL INSURANCE BUSINESS THERE, DUPLICATING THE MODEL WE HAVE WITH TUNE PROTECT MALAYSIA AND TUNE PROTECT THAILAND. WE ARE ALSO KEEN TO COLLABORATE WITH SUITABLE TAKAFUL OPERATORS, GIVEN THE GROWING DEMAND FOR SYARIAH-COMPLIANT PROTECTION.



Operations Review

Digital Global Travel

In response to the Opt-in ruling, we launched our own Business-to-Consumer platform offering Tune Protect Travel Insurance by AirAsia in Malaysia on 8 September, and went regional in December, launching it in 12 different markets. This was complemented by various other initiatives to increase the insurance take-up rate, such as prompting customers to reconsider insurance before completing their ticket purchase and sending daily email blasts to all non-purchasers prior to their departure. We've also started offering dynamic pricing for our AirAsia travel insurance to five markets and will continue to launch dynamic pricing to all other markets by the end of 2017. In the pipeline are other initiatives such as fare bundling and growing our offline business.

In terms of marketing, several digital campaigns were held with attractive offerings from our partners iflix, Starbucks and online travel agency Agoda. We also participated in AirAsia travel fairs, and sponsored activities such as its mountain climbing expedition in Indonesia to raise funds for the National Cancer Council Malaysia and AirAsia's 15th anniversary promotions.

In the Middle East, we continued to make a mark as an innovative and technologically-advanced brand in the travel insurance sector. We have been investing significantly in building a B2B model, expanding our presence to eight markets in the region, namely the United Arab Emirates, Bahrain, Oman, Qatar, Iraq, Jordan, Kuwait and India.

“DESPITE THE VARIOUS CHALLENGES, OUR DIGITAL GLOBAL TRAVEL BUSINESS IS MAKING GOOD PROGRESS TO GET BACK ON TRACK THROUGH A FEW INITIATIVES SUCH AS THE ROLL OUT OF DYNAMIC PRICING FOR OUR AIRASIA TRAVEL INSURANCE TO ALL MARKETS, PRODUCT INNOVATIONS SUCH AS FARE BUNDLING, CAMPAIGN OPTIMISATION, STREAMLINING OUR REGIONAL TRAVEL INSURANCE PROGRAM, AS WELL AS GROWING OUR OFFLINE BUSINESS.”

Towards the end of 2016 we entered into a strategic partnership with Jet Airways Middle East to provide insurance to the Indian airlines' guests flying out of the region. We also tied up with a new online travel portal Skysouq.com via Sur Travel Agencies LLC in Oman; formed an alliance with Acon Travels & Tours in Qatar; and developed a regional partnership with World Travel Services, which offers the travel agency community access to more than 200,000 hotels and apartments worldwide.

Further boosting sales, Tune Protect EMEA carried out numerous campaigns on the importance of travel insurance in leading B2B travel publications. It also enjoyed consistent media coverage in leading travel trade publications in the region, promoting its products and partners.

Meanwhile, our partnership with Malayan Insurance Company, Inc to provide travel insurance to Cebu Pacific Air's international passengers is growing steadily. In 2016, the TravelSure Travel Insurance microsite was refined in continuous pursuit of providing great customer experience.





WE LAUNCHED OUR
BUSINESS-TO-CONSUMER
PLATFORM IN

12

DIFFERENT MARKETS.

**“IN THE MIDDLE EAST,
WE CONTINUED TO MAKE A
MARK AS AN INNOVATIVE AND
TECHNOLOGICALLY-ADVANCED
BRAND.”**



Expanding our Digital Business

The year saw us make significant investments into enhancing our digital infrastructure while also making our policies clearer, and ensuring the entire value chain of a customer's digital interaction with us – from making a purchase online to making a claim – is as seamless, fast and easy as possible. We also brought on board digital specialists to continue developing our Direct-to-Consumer business, and providing technical support for our entities in Malaysia and Thailand in the development of their own digital capabilities.

To convey the message of how easy and important it is to be protected, we ran a number of campaigns that caught the public's eye. One of these even won a Gold in the Malaysia Media Awards for Best Use of ABC Audited Newspapers/Magazines while YouTube Malaysia recognised our Bubble advertisement as the Most Creative Animated Advertisement.

During the year, we introduced two new products – Tune Protect Dental Easy, Malaysia's first premium dental health, in July; and Tune Protect PA Easy, a personal accident plan, in August 2016. These, together with other existing digital products – Tune Protect Guard Easy (protection against snatch theft and robbery), Tune Protect Ride Easy (protecting passengers in cars) and Tune Protect Travel Easy (protection for travellers) – were promoted via the Bubble campaign in September through multiple touch points: radio, cinema, bus advertisements and social media. Plans are underway to introduce more products online in 2017.



**“TUNE PROTECT DENTAL
EASY LAUNCHED IN JULY IS
MALAYSIA’S FIRST PREMIUM
DENTAL HEALTH.**

**TUNE PROTECT PA EASY, A
PERSONAL ACCIDENT PLAN,
WAS LAUNCHED IN
AUGUST 2016.”**



General Insurance

The general insurance industry in Malaysia is in a state of great anticipation as we await the detariffication of motor and fire insurance which was announced in March 2016. Judiciously, however, the authorities are releasing their hold on products and tariffs in a phased manner. During the year, motor insurance providers were allowed to introduce add-on features to their products, such as windscreen and flood coverage, and from July 2017, motor insurers will be able to offer protection plans within a band that is 10% above and below the current tariff rates.

In the face of increasing competition, added emphasis was placed on quality premiums by developing a healthy portfolio. Motor continues to represent the largest class of business, making up 34.6% of total premiums, but now represents a profitable business that is very much franchise driven. During the year, we expanded our list of franchises to include Proton, Perodua, Hyundai, Daihatsu, Ford and Chinese marque, Haval.

Tune Protect Malaysia also saw handsome growth in its foreign workers portfolio, a profitable class of business with a relatively low claims ratio, as a result of more aggressive marketing and tie-ups with agents.

Concerted efforts to improve the quality of underwriting led to an underwriting profit of 12.2%, which was much higher than the 2.4% achieved in 2015.

We also tied up with a portable WiFi router company to provide free insurance with portable WiFi rental to countries within the Asia-Pacific region.

A major challenge for digital insurance is that it is a relatively novel concept in our region. Due to the lack of awareness, education and confidence, the number of customers directly purchasing insurance online remains low. However, with growing acceptance of digital transactions in general, and the emergence of financial technology providers, we see great potential for exponential growth of the business.

Ensuring further growth, Tune Protect Malaysia developed new Strategic Business Units, including a dedicated team to look into government-linked businesses; and a special unit to explore collaboration opportunities with Pos Malaysia Berhad, as well as looking after the insurance needs of the postal company's more than 18,000 employees.

We are also focussing on systematically digitising our entire value chain. Already, policy documents are emailed to customers, and other services such as making claims as well as checking the status of claims will be available online in the near future.

While developing its online business, Tune Protect Malaysia will continue to strengthen and improve the quality of its traditional distribution channels, including its agency force. As at the end of December 2016, we had more than 1,300 quality agents who are helping to bring in profitable business. With the opening of a new branch in Bukit Mertajam, Penang, Tune Protect Malaysia now has 21 branches located throughout the country.

We have also inked an exclusive partnership with Super Strap Sdn Bhd, making us their sole insurance provider for bundled baggage wrap insurance. This product is available to all local and international passengers travelling in and out of the country, who wrap their baggage or purchase a travel product from Super Strap. We offer the product in six airports and KL Sentral in Malaysia, as well as in Singapore's Changi airport and are hopeful of further expansion.

“...POLICIES ARE EMAILED TO CUSTOMERS, AND OTHER SERVICES SUCH AS MAKING CLAIMS AS WELL AS CHECKING THE STATUS OF CLAIMS WILL BE AVAILABLE ONLINE IN THE NEAR FUTURE”



**“BY OFFERING THE RIGHT PRODUCT TO THE RIGHT CONSUMER
AT THE RIGHT PRICE WE WILL BE ABLE TO PIONEER THE
ADVENT OF DIGITAL INSURANCE IN THE COUNTRY.”**

In Thailand, the year saw a concerted effort by Tune Protect Thailand to streamline its portfolio, focusing on profitable lines of business – such as travel, PA and property – while discontinuing those that were unfavourable, including some compulsory motor business. As part of a turnaround plan, there is a new management in place which is focused on creating a leaner organisation with more prudent spending and greater business stability. In line with our digital agenda, it is also looking at how it can promote digital insurance in the local market. We are committed to our Thai operations as part of our strategy to grow in ASEAN, and will be supporting future growth of this associate company.

Developing Our People

As we grow, both in terms of business as well as in our workforce, it has become increasingly important to create a sense of cohesion and belonging at Tune Protect Group, as well as to build our people's capabilities. Various programmes have been implemented to see to both ends. Details of our people development activities are provided in the Corporate Responsibility section of this Annual Report.

Outlook

The local economy is expected to pick up to a certain degree in 2017, following the footsteps of gradual recovery globally. Along with improved consumer sentiment as well as purchasing power, we expect the insurance industry to experience respectable growth during the year. At the same time, we recognise that we operate within a volatile environment and will keep a constant eye on macroeconomic movements, including mergers and acquisitions, and adjust our strategies accordingly.

We will continue to develop our digital business, channelling our efforts towards greater product innovation and customer experience to deliver our brand promise of Insurance Made Easy. In terms of products, we seek to be among the pioneers to offer usage-based insurance and on-demand insurance in the country.

As part of our digital journey and efforts to improve our customer experience, we are reviewing our products to make them more relatable and conveniently accessible online. These include segregating features and benefits of our motor and travel protection plans to offer more specific coverage. Using the online platform, we also hope to be able to offer simple and affordable protection to the underserved segments of society. Only 4% of lower income households are currently insured, yet most are connected to the internet and can therefore avail of convenient online services.

We believe the impending detariffication could create possibilities for innovation using digital products. We have been in discussions with insurance technology companies on telematics capabilities, ultimately to be able to offer the right product to the right person at the right price, online. As with any new regulatory change, however, there is a need to proceed with caution. We will closely monitor the market's response to changes and address any adverse reactions accordingly.

In our Digital Global Travel segment, we are looking at how we can offer more differentiated products to meet customers' specific needs, such as protecting their baggage or handphones, as examples. Such specific travel products are already available for our customers in the Middle East, targeting niche segments such as frequent flyers or family holidaymakers. We are looking to adapt some of these to suit local requirements. We will continue to train our energy on the ASEAN market, which currently contributes to more than 85% of our Digital Global Travel business, as we believe there is still much potential for further growth in this region, along with fast-expanding middle classes and numbers of travellers.

Ultimately, we have one overarching ambition, namely to democratise insurance, and ensure everyone is protected throughout their life's journeys and adventures. In order to achieve this objective, we will continue to provide simple products at affordable prices to the most number of people. This basic principle will drive us in 2017, and many years beyond.

“ULTIMATELY, WE HAVE ONE OVERARCHING AMBITION, NAMELY TO DEMOCRATISE INSURANCE, AND ENSURE EVERYONE IS PROTECTED THROUGHOUT THEIR LIFE’S JOURNEYS AND ADVENTURES.”



OUR STRATEGIC PILLARS

Tune Protect Group aspires to be the **Leading Digital Insurer**, and this vision was earlier supported by 5 key strategies of: (1) continue to expand with AirAsia and (2) to be a recognised global player in Travel Insurance, (3) be the next ASEAN digital insurance leader, (4) write profitable general insurance lines, 5) strategic acquisitions to grow our ASEAN footprint and support our digital expansion.

We pride ourselves in being uniquely Tune Protect – a specialised travel insurance player, present in 50 markets connected through our established digital platform. Continuing on this digital journey, we have further refined the 5 strategies into 3 strategic pillars which we believe better define our digital story and accelerate us in attaining our vision. Our achievements under each business segment as well as new initiatives which Tune Protect strives to deliver, are backed and supported by the following **3 strategic pillars**:



1 Lead in Product Innovation & Differentiation

Customisation

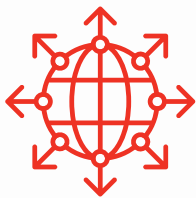
- Using dynamic pricing tools, offer route/price/customer profile centric product options
- Combining Telematics, algorithm and hard data, to introduce On-demand and Usage-based products to specific segments of customers
- Expand product range to offer more choices, including Syariah compliant products to cater to wider customer segments

Product Bundling & Packaging

- Offer product variation that are lifestyle oriented and for customers on-the-go
- Embed insurance with flight seats to cater to a more diverse segment of travelers
- Introduce all-in-one insurance solutions that encompass different lines of business and types of coverages to build customer retention

3 strategic pillars

- Lead in Product Innovation & Differentiation
- Widen Distribution Channels & Expand Reach
- Deliver Exceptional Customer Experience



2

Widen Distribution Channels & Expand Reach

Digital Channels

- Continuous enhancement of Direct-to-Consumer platforms making it easy, convenient, relevant and value-based with multiple choices of products and offers across countries
- Streamline mobile applications and develop apps that (1) tracks and rewards good driving behaviour and (2) delivers great travel experience
- Widen collaboration with existing and new airline partners, online travel partners and e-commerce players

Traditional Channels

- Deliver digital technology-driven initiatives to support agents & business partners to ensure they remain efficient and relevant

Expand Network

- Accelerate EMEA joint venture growth through new market entries, activation and growth in offline Business-to-Business distribution channels
- Actively look for acquisition opportunities, especially in Indonesia to grow our ASEAN footprint



3

Deliver Exceptional Customer Experience

Digitalise underwriting and claim processes

- Invest in improving digital capability and big data analytics to enhance underwriting models and platforms
- Digitalise claim processes to shorten cycle time, allow tracking of claims online, automate renewal process and gravitate towards a paperless process

Increase service interactions via digital channels to deepen engagement

- Collect survey responses online to gauge customers' buying up to claiming experience
- Develop digital-enabled live interaction with customers through video or visual aid to assist with their protection needs and queries

PROTECT YOURSELF

You are your most important asset, so take positive steps to ensure that you are protected. Tune Protect PA covers you from medical expenses reimbursement to hospital allowance and accidental death, from only RM36 per annum.

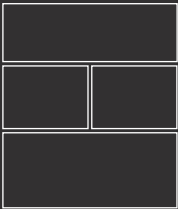




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04 the leadership

BOARD OF DIRECTORS



- Ng Soon Lai @ Ng Siek Chuan
- Tan Ming-Li
- Datuk Kamarudin bin Meranun
- Tan Sri (Dr.) Anthony Francis Fernandes





PROFILES OF BOARD OF DIRECTORS

NG SIEK CHUAN

Ng Soon Lai @ Ng Siek Chuan

MALAYSIAN, MALE, AGED 63
ACTING CHAIRMAN, SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

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Ng Soon Lai @ Ng Siek Chuan joined the Board as Independent Non-Executive Director on 5 October 2012 and is currently Senior Independent Director of the Company. He was appointed as Acting Chairman of the Company on 15 July 2016. During his capacity as a member of the Board, he was the Chairman of Audit and Risk Committee and Nomination & Remuneration Committee until 16 March 2017. He remains as a member of Audit, Risk Management and Nomination & Remuneration Committees.

With close to four decades of experience in the financial services industry, he started his career in audit and accounting with Coopers & Lybrand in London and Kuala Lumpur. He then made a pivotal switch to the financial sector in 1980, where he made his career with a leading local merchant bank and a finance institution. He joined Alliance

Bank Malaysia Berhad in 1991 as General Manager of Credit and was later appointed Chief Executive Director in 1994. He became a Board member of Alliance Merchant Bank Berhad in 2002. He resigned as Chief Executive Director of Alliance Bank Malaysia Berhad in 2005.

Siek Chuan is a fellow of the Institute of Chartered Accountants in England and Wales.

He currently holds independent directorships with Hiap Teck Venture Berhad, ELK-Desa Resources Berhad, China Construction Bank (Malaysia) Berhad and WCT Holdings Berhad.

Siek Chuan attended seven of eight Tune Protect Group's board meetings held throughout 2016 – two meetings in his capacity as Acting Chairman.





TONY FERNANDES

Tan Sri (Dr.) Anthony Francis Fernandes

MALAYSIAN, MALE, AGED 53
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

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Tan Sri (Dr.) Tony Fernandes was appointed Non-Independent Non-Executive Director of the Company on 5 October 2012.

He is a national icon and business mogul synonymous for revolutionising air travel in the region. An accountant by training, he began his career in 1987 with Richard Branson's Virgin Communications London. He then joined Warner Music International London in 1989 before returning to Malaysia as Managing Director at Warner Music Malaysia in 1992. He quickly rose through the ranks before leaving Warner Music South East Asia as its Vice President, ASEAN.

In 2001, he founded AirAsia with Datuk Kamarudin bin Meranun, and was appointed Group Chief Executive Officer of the company until June 2012 when he was redesignated as a Non-Independent Non-Executive Director of AirAsia Berhad and Group Chief Executive Officer of AirAsia ASEAN Inc. On 6 November 2013, he was again redesignated to Executive Director and Group Chief Executive Officer of AirAsia Berhad.

Tan Sri (Dr.) Tony Fernandes has received numerous awards and accolades over the course of his career. These include the Honor of the Commander of the Order of the British Empire, conferred by Her Majesty Queen Elizabeth II in 2011, and the Commander of the Legion d'Honneur, awarded by the French government for his outstanding contributions towards the economy of France through the aviation industry.

He studied at Epsom College and graduated with a Bachelor of Science in Accounting and Finance from the London School of Economics in 1987. He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991, and became a Fellow Member in 1996.

He is a shareholder of the Company and also the co-founder and director of Tune Group Sdn Bhd. He is also a Non-Independent Non-Executive Director of AirAsia X Berhad.

Tan Sri (Dr.) Tony Fernandes attended six of eight Tune Protect Group's board meetings held throughout 2016.



DATUK KAMARUDIN

Datuk Kamarudin bin Meranun

**MALAYSIAN, MALE, AGED 55
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR**

Datuk Kamarudin was appointed Non-Independent Non-Executive Director of Tune Protect Group on 11 March 2013. He is also the Chairman of the Company's Employees' Share Option Scheme ("ESOS") and Investment Committees, and a member of the Audit, Risk Management, and Nomination & Remuneration Committees.

With close to 30 years' experience under his belt, Datuk Kamarudin is a prominent, national business tycoon known for co-founding AirAsia with Tan Sri (Dr.) Tony Fernandes. He started his career in 1988 as a Portfolio Manager with Arab-Malaysian Merchant Bank before leaving in 1994, to join Innosabah Capital Management Sdn Bhd where he remains as Executive Director to date.

Datuk Kamarudin was appointed Deputy Group Chief Executive Officer and President of Group Finance, Treasury Corporate Finance and Legal of AirAsia Berhad until 2012, when he was re-designated as a Non-Independent Non-Executive Director and appointed as Deputy Group Chief Executive Officer of AirAsia ASEAN Inc. On 6 November 2013, Datuk

Kamarudin was appointed Executive Chairman of AirAsia Berhad, where he takes the lead in engaging with the government, aviation regulators and airport authorities in Malaysia.

He is a shareholder of the Company and also the co-founder and director of Tune Group Sdn Bhd. He is currently a Non-Independent Executive Director and Group Chief Executive Officer of AirAsia X Berhad. He is also a Director of Yayasan Pendidikan Titiwangsa.

Datuk Kamarudin graduated with a Diploma in Actuarial Science from Universiti Teknologi MARA (UiTM) and was named the "Best Actuarial Student" by the Life Insurance Institute of Malaysia in 1983. He further received a Bachelor of Science (BSc) with Distinction (Magna Cum Laude) majoring in Finance in 1986, and a Master of Business Administration (MBA) in 1987 from Central Michigan University.

Datuk Kamarudin attended seven of eight Tune Protect Group's board meetings held throughout 2016.





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TAN MING-LI

MALAYSIAN, FEMALE, AGED 48
INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Ming-Li was appointed Independent Non-Executive Director of Tune Protect Group on 1 April 2014. On 16 March 2017, she became the Chairman of Audit, Risk Management and Nomination & Remuneration Committees of the Company.

She is also a member on the Board of subsidiaries, Tune Protect Malaysia and Tune Protect Re. She is a partner in the legal firm, Cheang & Ariff and has been in legal practice since 1994. She specialises in corporate and securities law where she is principally involved in advising on capital market transactions, mergers and acquisitions, corporate restructuring as well as corporate finance related work.

Ming-Li is a graduate of the University of Melbourne, Australia with a double degree in Law (Hons) and Science.

She is currently an Independent Non-Executive Director of BP Plastics Holding Bhd and Ikhmas Jaya Group Berhad.

She attended all eight Tune Protect Group's board meetings held throughout 2016.

Notes:

Family Relationships

None of the Directors has any family relationship with any other Director and/or major shareholder of Tune Protect Group.

Conflicts of Interest

None of the Directors has any conflict of interest with Tune Protect Group.

Conviction for Offences

None of the Directors has been convicted for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any.

Attendance of Board Meetings

The attendance of the Directors at Board of Directors' meetings is disclosed in the Corporate Governance Statement.



PROFILE OF GROUP CHIEF EXECUTIVE OFFICER

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RAZMAN HAFIDZ

Razman Hafidz bin Abu Zarim

MALAYSIAN, MALE, AGED 62
GROUP CHIEF EXECUTIVE OFFICER

Razman joined Tune Protect Group as Chairman of the Board in 2012 and was appointed the Group Chief Executive Officer of Tune Protect Group on 15 July 2016. He leads the Company in creating a long-term strategy with a view to creating shareholder value and is a personification of the Group's culture and values.

He is a member of the Investment Committee of the Company and holds directorships in subsidiaries Tune Protect Malaysia, Tune Protect Re and Tune Direct Ltd; associate company – Tune Protect Thailand; and joint venture company – Tune Protect EMEA.

Razman has an elaborate background, with four decades of experience, in the fields of finance and management. His early career started in London, England where he joined notable Chartered Accountant firms, fast tracking his role from Audit Junior (1977) to Audit Partner in 1987. In 1989, he returned to Malaysia and joined Price Waterhouse. He left the firm as Partner-in-Charge of Price Waterhouse's Management Consulting Practice in 1993. He then led Malaysian Assurance Alliance (MAA) as the company's CEO, to become the No. 1 Life insurance company in Malaysia, in terms of new business underwritten. During his term, MAA was also named Life Insurer of the Year by a Hong Kong-based industry magazine in 2001.

He is currently an Independent Director of Hartalega Holdings Berhad, a company listed on Bursa Malaysia Securities Berhad.

He graduated with a joint-honours degree in Economics and Accounting from University College, Cardiff, Wales, in 1977. He is a fellow member of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants (MIA).

Razman has no family relationship with any other director and/or major shareholder and has no conflict of interest with the Group. He has not been convicted for any offences within the past 5 years, other than traffic offences, if any.

He attended all Tune Protect Group's board meetings held throughout 2016 – six meetings as Chairman of the board and two meetings as Group CEO.

For information on Razman's shareholdings in Tune Protect Group, please refer to page 239 of the Annual Report.



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SENIOR MANAGEMENT TEAM

Clockwise from far left:

- Fabian Lim Shi Wei
- Yap Hsu Yi
- Su Tieng Teck
- May Tan Mei Kun
- Keshminder Singh
- Vilasini Devi Govendan
- Koot Chiew Ling
- Anu Ratha Baskaran
- Shirley Chen Ooi Wai

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PROFILES

OF SENIOR MANAGEMENT TEAM

FABIAN LIM SHI WEI

MALAYSIAN, MALE, AGED 34

Head of Digital Strategy and Transformation

He joined the Group as Head of Digital Strategy and Transformation on 1 October 2016. His main focus is to drive the Group's digital strategy and initiatives, which include interactive experiences across digital customer touch points with the aim to transform and continue to evolve the insurance industry across the region.

He has more than 11 years' experience in consulting, strategic transformation and business operations across Telecommunications, Oil & Gas and Financial Services industries. Prior to this, he held various portfolios in Accenture, Digi and Webe.

He graduated from Swinburne University of Technology, Australia with a degree in Engineering.

YAP HSU YI

MALAYSIAN, FEMALE, AGED 42

Head of People and Culture

She joined the Group as Head of People and Culture on 4 May 2016. She has the responsibility for defining and leading the people strategy of the Group to create a distinctive culture that separates the Group from industry peers.

She has more than 15 years' experience working across various industries. Prior to this, she served companies such as Arthur Andersen, PWC, Mercer Consulting, Telenor and PepsiCo.

She graduated from Monash University, Australia with a degree in Commerce majoring in Accounting and Finance. She is a recipient of many internal and external awards for outstanding achievements in human resources.

SU TIENG TECK

MALAYSIAN, MALE, AGED 57

Chief Executive Officer of Tune Protect Malaysia

He was appointed Chief Executive Officer of the Group's General Insurance operations in Malaysia on 1 June 2012. He leads Tune Protect Malaysia and is key to driving the business towards becoming a leading digital insurer. He is also a Director of Tune Protect Re.

He has more than 25 years' experience in the general insurance industry. Prior to this, he held positions in AMG Insurance and Tokio Marine.

One of his previous appointments include CEO of MUI Continental Insurance where he played a pivotal role that bolstered the company to new heights.

He graduated from University of Portsmouth, United Kingdom with a Master of Business Administration in Strategic Management and Marketing. He is a fellow member of the Australia & New Zealand Institute of Insurance & Finance (ANZIIF).

MAY TAN MEI KUN

MALAYSIAN, FEMALE, AGED 43

Head of Marketing

She joined the Group as Head of Marketing on 1 June 2015. She is responsible for the Group's Marketing, Communications and Digital Marketing activities across all companies, focused on creating a unique brand image for Tune Protect as a leading digital insurance provider.

She has more than 20 years' experience across multiple commercial disciplines from multinational environments

within fast moving consumer goods industry. Prior to this, she headed brand marketing and commercial teams in Nestle Malaysia, Dutch Lady, Carlsberg Malaysia and F&N Coca-Cola Malaysia.

She graduated from University of Southern Queensland, Australia with a degree in Business. She is a recipient of many internal and external awards for outstanding achievements in marketing.

SHIRLEY CHEN OOI WAI

MALAYSIAN, FEMALE, AGED 48
Chief Financial Officer

She joined the Group as Chief Financial Officer on 1 September 2016. She is primarily responsible for enabling the financial strategies within the Group for value creation through sound capital and financial risk management.

She has more than 20 years' experience in the insurance industry. Prior to this, she served both local and multinational insurers where

she was instrumental in company-wide projects such as merger integration, as well as implementation of financial and taxation standards.

She graduated from The University of Iowa, USA with a degree in Business Administration majoring in Accounting. She is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

KESHMINDER SINGH

MALAYSIAN, MALE, AGED 42

Head of Technology and Innovation

He joined the Group as Head of Technology and Innovation on 1 October 2016. He is responsible to ensure the Group's technology-related strategies and initiatives are addressed with focus on business value, innovation, agility and cost-effective digital methodologies.

He has more than 21 years' experience in strategic consulting, technical pre-sales and large enterprise

environments across industries with strong background as a digital technologist. Prior to this, he held key roles in Shell, AIG, Microsoft and Petronas.

He graduated from University of Science, Malaysia with a higher diploma in Computer Science.

VILASINI DEVI GOVENDAN

MALAYSIAN, FEMALE, AGED 41

Head of Legal

She joined the Group as Head of Legal on 23 January 2013. She is tasked to provide proactive and pragmatic advice to the business on all legal and regulatory matters pertaining to the company. She also keeps abreast with the legislative changes and developments that may potentially impact the company.

She has more than 15 years' combined experience in legal practice and in-house legal advisory for life, general and composite insurance companies. Prior to this, she has served as the Head of Legal in both local and multinational insurance organisations.

She graduated from the University of Malaya with a Degree in Law (Honours) and Masters in Law. She is also an Advocate and Solicitor admitted to the High Court of Malaya.

KOOT CHIEW LING

MALAYSIAN, FEMALE, AGED 44

Head of Corporate Development and Strategy

She was appointed Head of Corporate Development & Strategy on 10 February 2014 overseeing three core areas – Corporate Strategy, Investor Relations and Programme Management Office. She is primarily responsible for leading the Group's strategic initiatives and key projects as well as engaging analysts and investors alike. She is a Director of Tune Direct (M) Sdn Bhd.

She has more than 20 years' experience in areas of business development, product development and corporate planning. Prior to this, she served local and regional capacities in major financial services institutions such as AIG and Etiqa. In CIMB, she was part of the pioneer team instrumental in the setup of the bancassurance partnership in Indonesia.

She graduated from Curtin University of Technology, Australia with a degree in Commerce.

ANU RATHA BASKARAN

MALAYSIAN, FEMALE, AGED 39

Principal Officer of Tune Protect Re

She joined the Group as Head of Corporate Partnership of Tune Protect Re on 1 August 2013 and assumed her current role as Principal Officer of Tune Protect Re on 15 August 2016. She leads the Group's reinsurance business and is key to driving the business towards becoming a global player in travel insurance industry.

She has more than 12 years' experience in the insurance industry. Prior to this, she spent 8 years with AIG Malaysia holding key roles in the Travel Division as well as Direct to Consumer division and was key in expanding the Alternative Distribution Channel of AXA Affin General Insurance Malaysia.

She graduated from University of Tasmania, Australia with a degree in Business Information Systems.

Notes:

Other Directorships

None of the **Senior Management** has any other directorships in public companies and listed issuers.

Family Relationships

None of the **Senior Management** has any family relationship with any other Director and/or major shareholder of Tune Protect Group.

Conflicts of Interest

None of the **Senior Management** has any conflict of interest with Tune Protect Group.

Conviction for Offences

None of the **Senior Management** has been convicted for any public sanction during the financial year ended 31 December, 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any.

PROTECT YOUR LOVED ONES

An unfortunate incident can occur anytime, anywhere to our loved ones. With our fire insurance plans you can protect yourself and your loved ones from financial stress. tuneprotect.com provides information about the benefits and pricing of the different type of plans available - houseowner, home guard and fire. Our comprehensive plans are easy to understand and is just a click away.







CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Tune Protect Group is committed to continuously improve the effective implementation of the principles and best practices of Corporate Governance, as provided in the Malaysian Code on Corporate Governance ("MCCG 2012") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Company, including its subsidiaries, associates and joint venture partners (collectively referred to as "the Group") applies high standards of ethics, integrity, and corporate governance in all its dealings. The Board considers that it has complied throughout the financial year ended 31 December 2016 with all the Principles and Best Practices as set out in Part 2 of the revised MCCG 2012 and the Bursa Malaysia Corporate Governance Guide.

Board of Directors

Roles and Responsibilities

The Board is accountable to shareholders for achieving the Group's strategic objectives, for the delivery of strong and sustainable performance, and for ensuring that it operates within its risk limits. The Board retains full and effective control over the Group's affairs and is the principal decision-making forum in providing stewardship and entrepreneurial leadership through its Board Committees. The Group Chief Executive Officer ("CEO") and Management are delegated limited authority by the Board for day-to-day management and operations of the business.

The Board has a formal schedule of reserved matters, reviewed annually, which includes:

- The Group's long term strategy, corporate objectives and plans;
- The Group's capital structure;
- Operating and capital budgets;
- Any significant changes to accounting policies and practices;
- Results and financial reporting;
- Dividend policy and proposals for dividend payments;
- New ventures;
- Major acquisitions, disposals, and other transactions outside delegated limits;
- The Group's overall risk appetite;
- Review of the Group's overall corporate governance arrangements;
- The maintenance and review of the systems of risk management and internal control;
- Changes to the structure, size and composition of the Board, including new appointments;
- Succession plans for the Board and senior management; and
- Annual review of its own performance and that of its Board Committees.

The Board Charter was last reviewed on 25 November 2016 and is available on the corporate website (www.tuneprotect.com).

Board Balance and Independence

The Company's diverse Board includes and makes use of differences in skills, industry experience, background, gender, and other attributes. Board members have a wide range of relevant experience in banking, accounting, law, economics, investment, and international business operations to bear on the governance, strategies, resources, and performance of the Group.

Board members at year-end were:

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	Acting Chairman	Senior Independent Non-Executive Director
Tan Sri (Dr.) Anthony Francis Fernandes	Member	Non-Independent Non-Executive Director
Datuk Kamarudin bin Meranun	Member	Non-Independent Non-Executive Director
Tan Ming-Li	Member	Independent Non-Executive Director

All Board members are Non-Executive Directors, two of whom are Independent, and the Chairman of the Board is an Independent Non-Executive Director. None of the Independent Directors have served on the Board for more than nine years.

Profiles of the current Directors are provided on pages 50 to 57 of this Annual Report.

Meetings

Attendance of the members at meetings held during the year are as follows:

No.	Directors	No. of Meetings Attended
1.	Ng Soon Lai @ Ng Siek Chuan	7/8
2.	Tan Sri (Dr.) Anthony Francis Fernandes	6/8
3.	Datuk Kamarudin bin Meranun	7/8
4.	Tan Ming-Li	8/8
5.	Razman Hafidz bin Abu Zarim ⁽¹⁾	6/6

⁽¹⁾ Razman Hafidz bin Abu Zarim resigned as Chairman and Director on 15 July 2016, following his appointment as Group CEO.

Agendas and papers are circulated to the Board with sufficient time for members to prepare for Board and Committee meetings. All Board and Committee meetings held during the year were conducted in an open atmosphere which allowed constructive challenge and debate, and all Directors were able to exert their independent judgement to bear on issues discussed. Directors and Management continue to be in frequent contact between meetings.

The Board has unrestricted access to independent and expert advice at the Company's expense in performing its duties.



Company Secretary

The Company Secretary is Ms. Jasmindar Kaur A/P Sarban Singh, a Fellow of the Malaysian Institute of Chartered Secretaries and Administration. She advises and updates the Board on their duties and obligations under current relevant legislation, regulatory requirements, and corporate governance matters, while ensuring that Board procedures are adhered to. She also advises the Directors on their obligations and duties to disclose their interest in the Company's securities, the disclosure of any conflicts of interest in transactions involving the Company, prohibition on dealing with the Company's securities, and restrictions on disclosure of price-sensitive information. The appointment and removal of the Company Secretary requires Board approval.

Professional Development

The Group recognises that continuous education is essential for the Directors to discharge their duties and responsibilities. There is an allowance for training fees provided to the Board to encourage their participation in training programmes.

The following are the programmes and seminars attended by the Directors during the year:

Directors	Training Programme
Tan Sri (Dr.) Anthony Francis Fernandes	<ul style="list-style-type: none">US-ASEAN Business Council Conference, San FranciscoRajaratnam School of International Studies Talk, SingaporeMOHE CEO Talk, Kuala LumpurMATRADE Service Export Forum, Kuala LumpurChief Editor Forum, JakartaF&N & Thai Beverage ASEAN Marketing Conference, BangkokWEF Summit on ASEAN, Kuala LumpurDeloitte World Meeting, TokyoABC-ASEAN Japan Public-Private Dialogue, BangkokPrudential Corp Asia Conference, CopenhagenYoung ASEAN Minds Summer Chapter, Kuala LumpurRussian Business Forum, MoscowNS State Government Conference, SerembanFortune & Time Global Forum, Vatican City
Datuk Kamarudin bin Meranun	<ul style="list-style-type: none">Forbes Global CEO Conference – Emerging markets
Ng Soon Lai @ Ng Siek Chuan	<ul style="list-style-type: none">New & Revised Auditor Reporting Standards conducted by FIDE (Bank Negara Malaysia related entity)Related Party Transactions & Recurrent Related Party Transactions conducted by Tricor Knowledge House BerhadLatest Amendments to Listing Requirements & Business Sustainability Report & Overview of New Companies Bill 2015 by Tricor Knowledge House BerhadRisk Management Training for Directors by Bursa Malaysia

Directors	Training Programme
Tan Ming-Li	<ul style="list-style-type: none"> • FIDE Forum's Directors Register Launching • FIDE Forum Fintech • FIDE Forum – SC views • ICLIF (Bank Negara Malaysia related entity) – Independent Directors Programme: The Essence of Independence

In addition, the Directors were also updated by the Company Secretary on changes to Bursa Malaysia's MMLR and relevant guidelines on the regulatory and statutory requirements. External auditors also briefed the Audit and Risk Committee members on the significant changes in the financial reporting standards as well as tax matters.

Conflicts of Interest

Board members have declared their directorships in companies other than in the Group, and such directorships are well within the limit of five directorships in public listed companies. Directors have declared their respective shareholdings in the Group, and their interests in any contract with the Group. Directors abstain from any discussions and decision-making related to other companies they hold directorships in.

Board Committees

The Board has delegated its authority to the Audit and Risk Committee, the Nomination and Remuneration Committee, the Employees' Share Option Scheme ("ESOS") Committee, and the Investment Committee. Save for the ESOS and Investment Committees, the Board Committees are chaired by Independent Directors and comprise a majority of Independent Directors.

AUDIT AND RISK COMMITTEE

The Board through its Audit and Risk Committee reviews the effectiveness of the Group's systems of risk management and internal control in managing risks identified, and provide reasonable assurance that risks linked to business goals, strategies, and objectives are managed within the risk appetite and risk limits approved by the Board. More details on the Audit and Risk Committee including a summary of work performed during the financial year ended 31 December 2016 is available in the Audit and Risk Committee Report on pages 76 to 78.

On 16 March 2017, the Board approved the split of the Audit and Risk Committee into two separate committees, namely the Audit Committee and Risk Management Committee.



NOMINATION AND REMUNERATION COMMITTEE

The Nomination Committee and the Remuneration Committee were set up on 7 December 2012, and merged into the Nomination and Remuneration Committee on 11 July 2014. The Nomination and Remuneration Committee may invite other Board members and the Group CEO to attend meetings when it deems appropriate. The Nomination and Remuneration Committee was comprised entirely of Non-Executive Directors, two of whom are Independent during the financial year ended 31 December 2016 as follows:

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	Chairman ⁽¹⁾	Acting Chairman, Senior Independent Non-Executive Director
Datuk Kamarudin bin Meranun	Member	Non-Independent Non-Executive Director
Tan Ming-Li	Member ⁽²⁾	Independent Non-Executive Director (Appointed on 15 July 2016)

⁽¹⁾ Ng Soon Lai @ Ng Siek Chuan resigned as Chairman of Nomination and Remuneration Committee on 16 March 2017.

⁽²⁾ Tan Ming-Li was appointed as Chairman of Nomination and Remuneration Committee on 16 March 2017.

Key matters deliberated during the six Nomination and Remuneration Committee meetings held in the financial year ended 31 December 2016 were:

- Performance evaluation of the Board of Directors and Board Committees;
- Composition of the Board Committees, with appropriate recommendations to the Board; and
- Remuneration packages for the Directors, CEO and Senior Management Team, with appropriate recommendations to the Board.

The terms of reference of the Nomination and Remuneration Committee is available on the corporate website (www.tuneprotect.com).

Remuneration Policy

The Company's remuneration principles are as follows:

- Offer competitive and fair rates of pay and benefits to attract and retain talent that are critical to achieving the Group's vision;
- Policies and practices that aim to drive behaviour which supports the Group's business strategy and objectives; and
- Pay for performance approach that ensures talent are remunerated.

In general, the Company's remuneration packages comprise fixed pay, variable performance-based pay and benefits. Unionised employees are remunerated in accordance with their respective Collective Agreements.

In 2016, the Company introduced a refined Performance Management Framework that aims to create a link between performance (realistic, sustainable results) and rewards. Goals are cascaded top-down and throughout the organisation with the intention of creating shared ownership and alignment of key priorities.

All Non-Executive Directors are paid a fixed annual director fees as members of the Board and Board Committees. The level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. The Company also reimburses reasonable expenses incurred by the Directors in the course of performing their duties. The remuneration package for Non-Executive Directors comprises fees and meeting allowances.

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The Nomination and Remuneration Committee also considers and recommends the CEO's remuneration package to the Board for approval. Components of the CEO's remuneration are structured to link rewards to corporate and individual performance. Performance is measured against profits and other targets set in accordance with the Company's annual budget and plans.

New Appointments

New members are evaluated for the required mix of skills, expertise, competencies, experience, professionalism, integrity, and other qualities, before recommendation by the Nomination and Remuneration Committee. Candidates are only considered if they meet the following criteria:

- Senior management in a reputable local or international financial services group, public corporation, or professional firm/body;
- Possess a diverse range of skills, including business, legal and financial expertise, professional knowledge, financial industry experience, as well as experience in regional and international markets;
- Demonstrates honesty and integrity;
- Ability to be independent and capable of lateral thinking;
- People skills;
- Have followed the code of conduct expected by Board members; and
- Aware of time commitment required to perform his/her duties.

After private interview sessions with the candidates, the appointment is recommended to the Board for approval. Once approved, the application for the appointment of the candidate is submitted to Bank Negara Malaysia as required by the Financial Services Act 2013. The Company Secretary ensures that all appointments are completed in accordance with established procedures and in compliance with all relevant legal and regulatory requirements.

There were no new appointments to the Board in the financial year ended 31 December 2016.

Board Diversity

In line with the Board's Diversity Policy, the Nomination and Remuneration Committee ensures that new appointments provide the appropriate mix of skills, experience, strength and other qualities, which would be relevant to enhance the composition of the Board, regardless of background, race, and gender. This policy can be found on the corporate website (www.tuneprotect.com).

Succession Planning

From time to time, the Nomination and Remuneration Committee would discreetly obtain the curriculum vitae of prospective candidates from various internal and external sources to ensure that the Board maintains a steady pool of potential talents to select from should the need to appoint additional members to the Board arise. This pool necessarily includes potential candidates with experience in the financial industry.

Annual Assessment

The Nomination and Remuneration Committee assesses annually, in a formal and transparent manner, the independence of Independent Directors, the effectiveness of the Board as a whole, and the effectiveness of its various Committees and Directors in the discharge of their duties and responsibilities. The Board Assessment and an Individual (Self & Peer) Assessment are done using:

- Audit Committee Evaluation Questionnaire
- Audit Committee Members' Self and Peer Evaluation Form
- Independent Directors' Self-Assessment Checklist
- Directors'/Key Officers' Evaluation Form
- Board & Board Committee Evaluation Form

After the evaluations, the Nomination and Remuneration Committee Chairman and the evaluator (e.g. the Company Secretary or external consultants) conveys the findings to the Board in the interest of improving its effectiveness. The Chairman ensures that the Board's decisions are reached by consensus (and failing this, that the decisions reflect the will of the majority), and any concern or dissenting view expressed by any Director on any matter deliberated at meetings of the Board, or any of its Committees, as well as the meetings' decisions, will accordingly be addressed and duly recorded in the minutes of the meeting.



Total Directors' Remuneration for 2016

The total remuneration of Directors during the financial year ended 31 December 2016 are as follows:

	Remuneration received from the Company			Remuneration received from the Group		
	Directors' Fee RM'000	Other Emoluments RM'000	Total RM'000	Directors' Fee RM'000	Other Emoluments RM'000	Total RM'000
Executive Director						
Nil	Nil	Nil	Nil	Nil	Nil	Nil
Non-Executive Director						
Ng Soon Lai @ Ng Siek Chuan ⁽¹⁾	204	62	266	204	62	266
Tan Sri (Dr.) Anthony Francis Fernandes	78	18	96	78	18	96
Datuk Kamarudin bin Meranun	148	43	191	148	43	191
Tan Ming-Li	132	42	174	284	113	397
Razman Hafidz bin Abu Zarim ⁽²⁾	127	50	177	160	58	218
Total	689	215	904	874	294	1,168

⁽¹⁾ Ng Soon Lai @ Ng Siek Chuan was appointed as Acting Chairman on 15 July 2016.

⁽²⁾ Razman Hafidz bin Abu Zarim resigned as Director and Chairman on 15 July 2016 following his appointment as Group CEO.

Total CEO's Remuneration for 2016

The total remuneration of the CEOs during the financial year ended 31 December 2016 are as follows:

	Remuneration received from the Company				
	Salary RM'000	Bonus RM'000	Other Emoluments RM'000	Employees' Provident Fund RM'000	Total RM'000
Junior Namjick Cho ⁽¹⁾	732	–	117	102	951
Razman Hafidz bin Abu Zarim ⁽²⁾	694	230 ⁽³⁾	251	97 ⁽³⁾	1,272
Total	1,426	230	368	199	2,223

⁽¹⁾ Junior Namjick Cho resigned as CEO on 15 July 2016.

⁽²⁾ Razman Hafidz bin Abu Zarim was appointed as Group CEO on 15 July 2016.

⁽³⁾ Figure represents actual amount paid, which differs from the provisional amount stated in the Financial Statements on page 182.

Total Senior Management's Remuneration for 2016

The total remuneration of Senior Management during the financial year ended 31 December 2016 are as follows:

Total Value of remuneration awards for the financial year	Unrestricted RM'000	Deferred RM'000
Fixed remuneration		
• Cash-based	2,286	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil
Variable remuneration		
• Cash-based	505	Nil
• Shares and share-linked instruments	Nil	Nil
• Other	Nil	Nil

There are currently seven officers which the Company considers to be Senior Management. All officers received a variable remuneration during the financial year. The total value includes four officers who left during the financial year.

INVESTMENT COMMITTEE

The Investment Committee was established to assist the Board in discharging its duties and responsibilities in the management of investments, including drawing up policies and procedures for monitoring, assets allocation, dealing, recording, and reporting. The members during the financial year ended 31 December 2016 comprise the following:

Name	Designation	
Datuk Kamarudin bin Meranun	Chairman	Non-Independent Non-Executive Director (Appointed on 29 April 2016)
Ng Soon Lai @ Ng Siek Chuan	Member	Senior Independent Non-Executive Director
Razman Hafidz bin Abu Zarim	Member	Group Chief Executive Officer

EMPLOYEE SHARE OPTION SCHEME COMMITTEE

The Employee Share Option Scheme ("ESOS") Committee was established to administer the ESOS of the Group in accordance with the objectives and regulations thereof, and to determine the participation eligibility, option offers, share allocations, and any other related matter as required. The members during the financial year ended 31 December 2016 were:

Name	Designation	
Datuk Kamarudin bin Meranun	Chairman	Non-Independent Non-Executive Director
Razman Hafidz bin Abu Zarim	Member	Group Chief Executive Officer (Appointed on 19 August 2016)
Shirley Chen Ooi Wai	Member	Chief Financial Officer (Appointed on 19 August 2016)
Yap Hsu Yi	Member	Head of People and Culture (Appointed on 4 May 2016)

Notes:

ESOS members who resigned during the financial year ended 31 December 2016:

- Junior Namjick Cho (resigned on 15 July 2016)
- Tan Ah Moi (resigned on 19 August 2016)
- Cilia Rasasegram (resigned on 10 February 2016)



Relationship with Shareholders

Communication with shareholders is important and the Company has in place a Shareholder Communication Policy, available on the corporate website (www.tuneprotect.com). The CEO has the day-to-day responsibility of communicating with analysts and institutional shareholders on the Group's strategy and its plans for achieving its objectives. Regular dialogue ensures that the Group's strategy is understood, updates on the status in meeting its objectives are provided, and any issues arising are addressed in a constructive manner.

External analysts' reports are circulated to the Directors and Management. Shareholders can direct questions on their shareholdings to the Share Registrar or the Company Secretary.

Annual General Meeting

The annual general meeting ("AGM") and other general meetings of the Company are the primary forum for dialogue with its shareholders. All notices of general meetings and accompanying explanatory material are published on the corporate website (www.tuneprotect.com), advertised in local newspapers, and the necessary announcement made to Bursa Malaysia. In addition, the notice of AGM, which forms part of the Annual Report, and the CD-ROM, is circulated to its shareholders. The form and content of the notices of general meetings comply with the Companies Act, 2016 and any other applicable regulatory under Bursa Malaysia and the Securities Commission Malaysia. Shareholders may deposit their proxy forms for AGMs and general meetings of the Company to the Company Secretary at its registered address.

The management of the Company makes themselves available for meetings with key analysts and shareholders at least once per quarter, either face to face, or via conference call.

Annual Report

The Company's Annual Report is a central means of communicating the Group's activities, operations, and performance to shareholders.

Tune Protect Corporate Website

The Group's corporate website (www.tuneprotect.com) publishes necessary information about the Group, including all announcements made to Bursa Malaysia, relevant press releases, and official releases of material information to the market within a reasonable timeframe after such information is released to Bursa Malaysia.

Accountability and Audit

Directors' Responsibilities in Financial Reporting

The Board is responsible for ensuring that proper accounting records are kept which discloses, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1965. The Board is satisfied that in preparing the Company's financial statements for the financial year ended 31 December 2016, the Company has used appropriate accounting policies and applied them consistently and prudently, as well as made judgements and estimations which are prudent and reasonable. The Board is of the opinion that the financial statements have been prepared in accordance with all relevant approved accounting standards.

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Relationship with the External Auditors

The Board, through the Audit and Risk Committee, has maintained an appropriate, formal and transparent relationship with the external auditors. As indicated in the Independent Auditors' Report, Messrs. Ernst & Young confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements and in accordance with their internal policy. Messrs. Ernst & Young also confirmed that they have reviewed the non-audit services provided to the Group during the year. The Audit and Risk Committee conducts the independence assessment of the external auditors before recommending them, via the Board, for re-appointment to the shareholders.

The Audit and Risk Committee meets with Messrs. Ernst & Young without the presence of the Management, whenever necessary, and at least twice a year. Meetings are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on related matters. From time to time, the external auditors inform and update the Audit and Risk Committee on matters that may require their attention.

The Company has engaged and re-appointed Messrs. Ernst & Young annually since 2011. In line with the requirement of Policy Documents issued by Bank Negara Malaysia, best practice and Messrs. Ernst & Young's internal policies, a different engagement partner was assigned to the Company for financial year ended 31 December 2016 in line with rotation requirements.

Code of Conduct

The Code of Conduct governs how the Company interacts with its stakeholders – with integrity and with respect for our business partners, shareholders, and employees. The Code of Conduct can be found on the corporate website (www.tuneprotect.com).

Anti-Fraud Policy

The policy sets out the responsibilities for the development of controls as well as guidelines on the conduct of investigations. It applies to any irregularity or suspected irregularity involving employees, shareholders, consultants, vendors, outside agencies, and any other parties in a business relationship with the Group.

Whistleblowing Policy

The policy is applicable to all Directors, and employees of the Group, whether permanent, temporary, or on contract basis. All reports under the Whistleblowing Policy are directed to the Chairman of the Audit and Risk Committee. This policy can be found on the corporate website (www.tuneprotect.com).

Sustainability Policy

The Company has a Sustainability Policy as part of its commitment to create a lasting value for its shareholders and stakeholders. This Policy applies to Directors and employees of the Group and covers the actions and activities that may impact the market place, work place, environment and community. This policy can be found on the corporate website (www.tuneprotect.com).

Going Concern

The Board has reviewed the Group's financial projections for the next twelve months, including regulatory capital surpluses. Based on this review, the Directors are satisfied that the preparation of the financial statements on a going concern basis is appropriate.

This Corporate Governance Statements was approved by the Board on 29 March 2017.



AUDIT AND RISK COMMITTEE REPORT

Membership and Authority

The Audit and Risk Committee was established on 5 October 2012 to assist the Board of Directors ("the Board") in overseeing the risk management and internal audit functions of the Group, independent from Management. On 16 March 2017, the Board approved the split of the Audit and Risk Committee into two separate committees, namely the Audit Committee and the Risk Management Committee.

The Audit and Risk Committee comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director during the financial year ended 31 December 2016 as follows:

Name	Designation	Directorship
Ng Soon Lai @ Ng Siek Chuan	Chairman ⁽¹⁾	Acting Chairman, Senior Independent Non-Executive Director
Tan Ming-Li	Member ⁽²⁾	Independent Non-Executive Director
Datuk Kamarudin bin Meranun	Member	Non-Independent Non-Executive Director (Appointed on 9 August 2016)

⁽¹⁾ Ng Soon Lai @ Ng Siek Chuan resigned as Chairman of Audit Committee and Risk Management Committee on 16 March 2017.

⁽²⁾ Tan Ming-Li was appointed as Chairman of Audit Committee and Risk Management Committee on 16 March 2017.

The Chairman of the Audit and Risk Committee is an Independent Director, appointed by the Board on the recommendation of the Nomination and Remuneration Committee. Ng Soon Lai @ Ng Siek Chuan is a fellow of the Institute of Chartered Accountants in England & Wales and has relevant financial experience. The Audit and Risk Committee consists of members with a broad spectrum of skills, professional experience, and backgrounds with high integrity. Alternate directors cannot be appointed as a member of the Audit and Risk Committee.

In addition to financial matters, the Audit and Risk Committee provides active oversight on the Risk Management, Compliance, and Internal Audit functions and activities, to ensure appropriate independence, scope of work, and resource requirements. The functions collaborate with Management to assist Tune Protect Group with achieving its objectives by embedding a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, financial and operational control, and governance processes. In this regard, the functions report functionally to the Audit and Risk Committee to facilitate its oversight responsibilities for the Group.

The Audit and Risk Committee's meeting calendar and agenda are linked to events in Tune Protect Group's financial calendar. The Audit and Risk Committee is kept up-to-date with relevant developments, changes in legislation and regulations, and information on external seminars and conferences by the Company Secretary and the Executive team. The Group Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Group Internal Audit and Group Risk and Compliance as well as the external auditors are regularly invited to attend all or part of any meeting as and when appropriate.

The terms of reference of the Audit Committee and the Risk Management Committee are available on the corporate website (www.tuneprotect.com).

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Meetings

Attendance of the members at Audit and Risk Committee meetings held during the year were as follows:

No.	Directors	No. of Meetings Attended
1.	Ng Soon Lai @ Ng Siek Chuan	6/6
2.	Razman Hafidz bin Abu Zarim ⁽¹⁾	4/4
3.	Tan Ming-Li	6/6
4.	Datuk Kamarudin bin Meranun ⁽²⁾	2/2

⁽¹⁾ Razman Hafidz bin Abu Zarim resigned as Audit and Risk Committee Member on 15 July 2016.

⁽²⁾ Datuk Kamarudin bin Meranun was appointed as member of the Audit and Risk Committee on 9 August 2016.

Summary of Work Performed During the Financial Year

The following is a summary of the activities carried out by the Audit and Risk Committee during the financial year ended 31 December 2016:

1. Financials

- Deliberated with Management and reviewed the quarterly unaudited financial performance and results prior to recommending to the Board for approval.
- Reviewed management accounts and reports of operating subsidiaries and associate company.

2. External Auditors

The external auditors were invited to relevant parts of the Audit and Risk Committee meetings, to actively participate in the deliberations and advise as appropriate, on the Audit Planning Memorandum and other matters deemed relevant, including:

- Reviewed and deliberated with the external auditors on the audited financial statements for the financial year prior to submission to the Board for their consideration and approval focusing particularly on any changes of accounting policy, significant and unusual events and compliance with applicable accounting standards approved by MASB and other legal requirements.
- Reviewed the Corporate Governance Statement, Risk Management and Internal Control Statement and Audit and Risk Committee Report, and recommended to the Board for inclusion in the Annual Report.
- Reviewed the level of independence, expertise and performance of the external auditors, Messrs. Ernst & Young and made recommendations to the Board on their re-appointment and remuneration.
- Reviewed and approved non-audit services rendered by external auditors to ensure the independence of external auditors.



3. Risk and Compliance

- a. Reviewed identified risks and control recommendations.
- b. Reviewed and approved new policies as well as updates to the existing policies in the areas of business continuity management, compliance, and reporting.
- c. Approve appropriate risk management procedures and methodologies.
- d. Noted developments in laws and regulations.
- e. Reviewed the performance of the Risk and Compliance function.

4. Internal Audit

- a. Approved the Group's annual Internal Audit Plan for 2016 and monitored progress.
- b. Reviewed internal audit reports covering the following areas:
 - i. Recurring Related Party Transactions and Related Party Transactions.
 - ii. Information, Communications, and Technology asset management.
 - iii. Business continuity and disaster recovery.
 - iv. Insurance claims management.
- c. Where necessary, suggested enhanced policies and greater internal control procedures to Management for implementation.
- d. Monitored implementation of audit recommendations to ensure that all key risks and controls have been addressed timely.
- e. Reviewed the performance of the Internal Audit function.

5. Others

- a. Reviewed related party transactions entered by the Group to ensure:
 - i. Compliance with approved limits set out in the Recurring Related Party Transactions mandate approved by shareholders;
 - ii. Adequacy of the control procedures in capturing new related party transactions; and
 - iii. Proper reporting and approval, where applicable.
- b. Noted the relevant technical pronouncements and accounting standards issued by the Malaysian Accounting Standards Board, Bursa Malaysia Securities Berhad's Main Market Listing Requirements, and other related regulations.
- c. Reviewed the circular in relation to proposed renewal of the existing and new mandates for Recurring Related Party Transactions.

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RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Responsibilities

The Board

The Board acknowledges its overall responsibility in establishing sound and effective systems of risk management and internal control. Due to the inherent limitations arising from human error, or external events, the Board recognises that the intention of such systems is not to eliminate all risks but to ensure the balance between growth, return goals, and risks.

In view of the above, the Board, through its Audit and Risk Committee, continues to review the established governance structure for ensuring adequate and effective oversight of risk and controls within the Group during a formal and regular schedule of meetings prefixed on an annual basis. The Board receives reports on risk, compliance, and internal audit activities, and monitors Management's effort to correct deficiencies identified.

Management

Management is responsible for recommending and implementing Board-approved internal controls established in written policies and procedures. New initiatives, strategies, financial performances, goal achievements, risks, and other operational issues are discussed at formal meetings such as Group Management meetings. Where deficiencies are identified, Management directs effort into identifying root causes, and correcting situations that give rise to such deficiencies.

Day-to-day risk management functions and responsibilities lie with the business and functional support units as the first line of defence. The Risk Management function serves as the second line of defence, a central support infrastructure that deals with more pervasive, entity-wide risks, while the Internal Audit Function, the third line of defence, provides independent assurance on the effectiveness of the risk management approach. This structure aims to place accountability and ownership as close as possible to where the risks arise while facilitating an appropriate level of independence and segregation of duties between the business, the Risk Management function, and Internal Audit. The Risk Management and Internal Audit functions report directly to the Audit and Risk Committee.

Risk Management

The Group's risk management framework is designed to ensure that risks which could undermine the Group's strategies, business goals, objectives, reputation and long-term viability are timely identified, assessed and monitored within the risk appetite and risk tolerance approved by the Board. This is supported by a Group-wide risk management organisation structure that delineates the function of risk taking, risk oversight and policy making. The risk reporting lines, authorities, roles and responsibilities are clearly specified in the Risk Management Framework.

Risk Management Framework

The Group's Board-approved Risk Management Framework details the policies and processes for managing uncertainties in terms of risks and opportunities, building value for the Group's stakeholders. Risks are identified using business mapping, and the likelihood and impact of those risks assessed based on a predefined Likelihood Rating table. Controls are then put in place and their effectiveness measured using a Control Effectiveness Rating table and any residual risks managed with the implementation of risk mitigation strategies. Risk registers are consolidated for review and monitoring by the Audit and Risk Committee.

Compliance Management Framework

This Board-approved framework outlines the structure, and key processes, for identifying and ensuring compliance with applicable laws and regulations, and internal policies and procedures. It serves to promote the importance of regulatory and operations compliance, and connection to corporate values, as well as to ensure compliance obligations are met by establishing monitoring and reporting mechanisms for instances of non-compliance and tracking remedial actions. Compliance obligations registers are consolidated for review and monitoring by the Audit and Risk Committee.



Internal Controls

An effective internal control system provides reasonable assurance that the Group continues to pursue its goals in a manner that is effective and efficient, producing accurate and reliable reporting, and is always in compliance with applicable laws and regulations. Elements of the Group's internal control system are:

Organisation Structure

The Board has established clear reporting lines, authorities, roles, and responsibilities, to support the internal control system. The Group Management Committee and Group IT Steering Committee assist the Board in their oversight on the day-to-day operations of the business.

Annual Budgeting Process

The annual budgeting and target setting is tabled to the Board for approval and the Group's performance against the budget is monitored by the Board quarterly.

Code of Conduct

The Code of Conduct governs how we interact with our stakeholders – with integrity and with respect for our business partners, shareholders, and employees. The Code can be found on the corporate website at www.tuneprotect.com.

People and Culture Employee Handbook

This handbook is a compilation of the policies, procedures, working conditions, and behavioural expectations that guide our employees' actions in the workplace. Established disciplinary procedures and steps for raising grievances are described within.

Anti-Fraud Policy

The policy sets out the responsibilities for the development of controls as well as guidelines on the conduct of investigations. It applies to any irregularity or suspected irregularity involving employees, shareholders, consultants, vendors, outside agencies, and any other parties in a business relationship with the Group.

Whistleblowing Policy

The policy is applicable to all directors, and employees of the Group, whether permanent, temporary, or on contract basis. All reports under the Whistleblowing Policy are directed to the Chairman of the Audit and Risk Committee. This policy can be found on the corporate website at www.tuneprotect.com.

Underwriting and Claims

Underwriting Guidelines are established to manage and adequately assess risks being underwritten. Claim Guidelines detail the written operational controls surrounding claims handling and settlement processes.

Other Operational Policies

Departmental manuals, including Underwriting Guidelines and written operational controls surrounding claims handling and settlement processes, to guide employees in their day-to-day execution of tasks are established and continuously updated.

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Internal Audit

The Group's in-house Internal Audit function provides independent assurance on the adequacy and effectiveness of the systems of risk management and internal control. High impact risk areas identified are periodically assessed and form the basis of the risk-based internal audit plan and strategy. Internal Audit activities are approved by and monitored quarterly by the Board, through the Audit and Risk Committee. Remedial actions by Management arising from internal audit findings are tracked by the Audit and Risk Committee until resolution. Summary of key activities performed by the Internal Audit function as well as Audit and Risk Committee oversight is available in the Audit and Risk Committee Report on page 76 to 78.

The total cost incurred by the Group Internal Audit function performed in-house for the year ended 31 December 2016 was RM841,000.

Assurance From Management

The Board has received reasonable assurance from the Group CEO and CFO that the Group's systems of risk management and internal control are operating adequately and effectively, in all material aspects, during the year under review.

Review of the Statement by External Auditors

As required by paragraph 15.23 of the MMLR for Bursa Malaysia, the external auditors have reviewed this Risk Management and Internal Control Statement for inclusion in the annual report for the financial year ended 31 December 2016. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors had assured that this Statement is consistent with their understanding of the process that the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and internal control system. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control procedures.

Conclusion

The Board is satisfied that there is an effective and adequate risk management and internal control system in place to manage the Group's risks and there were no significant issues arising for the year ended 31 December 2016.

This Risk Management and Internal Control Statement was approved by the Board on 29 March 2017.



ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Bursa Malaysia's MMLR:

1.0 Employees' Share Option Scheme

The ESOS is the only share scheme of the Company approved by the shareholders on 2 January 2013 and only came into effect on the date of Listing, 20 February 2013. The ESOS was offered to employees of the Company on 18 March 2014 and the details of the ESOS offered are as follows:

	During the Financial Year ended 31 December 2016
Total number of options or shares offered	10,120,000
Total number of options exercised or shares vested	–
Total number of options or shares outstanding	10,120,000

Granted to CEO	During the Financial Year ended 31 December 2016
Total number of options or shares offered	1,000,000
Total number of options exercised or shares vested	–
Total number of options or shares outstanding	1,000,000

There were no options granted to both Non-Executive and Executive Directors pursuant to the ESOS since 18 March 2014.

2.0 Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and the Group by Messrs. Ernst and Young, external auditors, during the financial year ended 31 December 2016 was RM84,000 and RM185,000 respectively.

3.0 Material Contracts Involving Directors, Chief Executive who is not a director and Major Shareholders

There were no material contracts entered into by the Company and its subsidiaries involving directors, chief executive who is not a director and major shareholders' interest for the year ended 31 December 2016.

4.0 Utilisation of proceeds

There was no corporate proposal to raise proceeds during the financial year ended 31 December 2016. The proceeds raised from the corporate proposal in 2013 had been fully utilised for repayment of bank borrowings, working capital, strategic investments and listing expenses.

5.0 Recurrent Related Party Transactions of a Revenue or Trading Nature

At the AGM held on 3 June 2016, the Company had obtained a shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

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The breakdown of the aggregate value of the RRPTs entered into by the Group from 1 January 2016 to 31 December 2016 is as follows:

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value (RM'000)
1	AirAsia Berhad (Company No. 284669-W)	<p>Provision of the right to our Company to market insurance products to the customers of AirAsia Berhad via direct marketing initiatives pursuant to the Distribution Agreement entered into between AirAsia Berhad and our Company.</p> <p>Provision of distribution and marketing services to Tune Insurance Malaysia Berhad in relation to the Travel Protection Plan originating in Malaysia to the passengers of AirAsia Berhad pursuant to the Business Collaboration and Marketing Agreement entered into between Tune Insurance Malaysia Berhad (Company No. 30686-K) and AirAsia Berhad.</p>	<p>Interested Directors Tan Sri (Dr.) Anthony Francis Fernandes Datuk Kamarudin bin Meranun</p>	14,017
2	AirAsia X Berhad (Company No. 734161-K)	Provision of agency services to Tune Insurance Malaysia Berhad in relation to the Travel Protection Plan originating in Malaysia to the passengers of AirAsia X Berhad pursuant to the Agency Agreement entered into between AirAsia X Berhad and Tune Insurance Malaysia Berhad.	<p>Interested Directors Tan Sri (Dr.) Anthony Francis Fernandes Datuk Kamarudin bin Meranun</p> <p>Interested Major Shareholder AirAsia Berhad</p>	4,188
3	PT Indonesia AirAsia (Company No. 09.03.1.62.29927)	<p>Provision of the right to our Company to market insurance products to the customers of PT Indonesia AirAsia via direct marketing initiatives pursuant to the Distribution Agreement entered into between PT Indonesia AirAsia and our Company.</p> <p>Provision of marketing services to Tune Insurance Malaysia Berhad in relation to the Travel Protection Plan originating in Malaysia to the passengers of PT Indonesia AirAsia pursuant to the Business Collaboration Agreement entered into between Tune Insurance Malaysia Berhad and PT Indonesia AirAsia.</p>	<p>Interested Directors Tan Sri (Dr.) Anthony Francis Fernandes Datuk Kamarudin bin Meranun</p> <p>Interested Major Shareholder AirAsia Berhad</p>	465



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	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value (RM'000)
4	Thai AirAsia Co. Ltd (Company No. 0105546113684)	<p>Provision of the right to our Company to market insurance products to the customers of Thai AirAsia Co. Ltd via direct marketing initiatives pursuant to the Distribution Agreement entered into between Thai AirAsia Co. Ltd and our Company.</p> <p>Provision of marketing and administration services to Tune Insurance Malaysia Berhad in relation to the Travel Protection Plan originating in Malaysia to the passengers of Thai AirAsia Co. Ltd pursuant to the Business Collaboration Agreement entered into between Tune Insurance Malaysia Berhad and Thai AirAsia Co. Ltd.</p>	<p>Interested Directors Tan Sri (Dr.) Anthony Francis Fernandes Datuk Kamarudin bin Meranun</p> <p>Interested Major Shareholder AirAsia Berhad</p>	465
5	Tune Group.com Limited (Company No. 59919) or its assignee Tune Group Sdn Bhd (Company No. 798868-P)	Provision of the licence and right to our Group to use the 'Tune Insurance' trademark by Tune Group.com Limited or its assignee Tune Group Sdn Bhd.	Interested Directors Tan Sri (Dr.) Anthony Francis Fernandes Datuk Kamarudin bin Meranun	11,145
6	SP&G Insurance Brokers (Company No. 020041-H)	Provision of broking services by SP&G Insurance Brokers to Tune Insurance Malaysia Berhad pursuant to the broking arrangement between SP&G Insurance Brokers and Tune Insurance Malaysia Berhad.	Interested Director Datuk Kamarudin bin Meranun	894

The shareholdings of the interested Directors and Major Shareholders in our Company as at 23 March 2017 are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Interested Directors				
Tan Sri (Dr.) Anthony Francis Fernandes	100,000	0.01	221,172,150 ⁽¹⁾	29.42
Datuk Kamarudin Bin Meranun	81,900	0.01	221,172,150 ⁽¹⁾	29.42
Interested Major Shareholders				
Tune Group Sdn. Bhd.	118,563,150	15.77	–	–
AirAsia Berhad	102,609,000	13.65	–	–

Notes:

(1) Deemed interested by virtue of his interest in Tune Group Sdn. Bhd. and AirAsia Berhad pursuant to Section 8 of the Act

Please refer to Section 6 and Section 2.4 of the Circular to Shareholders dated 4 May 2016 and 28 April 2017 respectively on the directorships and shareholdings of the interested directors and interested major shareholder in the transacting parties as stated above.

A photograph of a man and a woman in a car. The man is in the driver's seat, looking towards the camera with a slight smile. A large, semi-transparent red circle is superimposed over the image, centered on the man's face. The woman is in the passenger seat, looking towards the man. The background is slightly blurred, showing the interior of the car.

PROTECT THEIR FUTURE

The future is unpredictable, but why take a chance? Reach out to any of our 1,300 agents located throughout Malaysia for protection plans that will give you peace of mind. You can also reach us via tuneprotect.com, our mobile app as well as through our social media networks to get our latest update.





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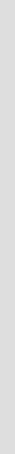
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DIRECTORS' REPORT

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

Principal activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities and other information of the subsidiaries are set out in Note 6 to the financial statements.

Results

	Group 2016 RM'000	Company 2016 RM'000
Net profit for the year	86,585	25,217
Profit attributable to:		
Equity holder of the Company	79,976	25,217
Non-controlling interests	6,609	–
	86,585	25,217

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

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

Dividends

The amount of dividend paid by the Company since 31 December 2015 was as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Final single tier dividend of 5 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares, declared on 3 June 2016 and paid on 1 July 2016	37,588



DIRECTORS' REPORT

Directors

The names of the directors of the Company and its subsidiaries in office since the beginning of the financial year to the date of this report are:

		Director for the entities							
		Holding Company	Subsidiaries						
			Name of Director	TPG*	TIMB*	TPR*	TDL*	TDM *	TIL*
05 reports & financial statements	01	Tan Sri Dr. Anthony Francis Fernandes	✓	–	–	–	–	–	–
		Datuk Kamarudin Bin Meranun	✓	–	–	–	–	–	–
		Ng Soon Lai @ Ng Siek Chuan	✓	–	–	–	–	–	–
	02	Tan Ming-Li	✓	✓	Appointed on 25 July 2016	–	–	–	–
	03	Razman Hafidz Bin Abu Zarim	Resigned on 15 July 2016	Appointed on 21 July 2016	Appointed on 22 January 2016	Appointed on 23 June 2016	–	Appointed on 17 June 2016	Appointed on 15 July 2016
	04	Mohd Yusof Bin Hussian	–	✓	–	–	–	–	–
		Chee Siew Eng	–	✓	–	–	–	–	–
		Lim Chong Beng	–	✓	–	–	–	–	–
	06	Koot Chiew Ling	–	–	–	–	✓	–	–
		Su Tieng Teck	–	–	✓	–	–	–	–
		Hong Kean Yong	–	Appointed on 3 June 2016	–	–	–	–	–
		Siegtraud Teh Siew Foong	–	–	Appointed on 25 July 2016	–	–	–	–
		Cheong Lai Lai	–	–	–	Appointed on 18 August 2016	Appointed on 18 August 2016	–	–
		Lee Siang Korn @ Lee Siang Chin	–	Resigned on 30 April 2016	–	–	–	–	–
		Junior Namjick Cho	–	Resigned on 15 July 2016	Resigned on 1 July 2016	Resigned on 23 June 2016	–	Resigned on 17 June 2016	Resigned on 15 July 2016
		Tan Ah Moi	–	–	–	Resigned on 25 July 2016	Resigned on 25 July 2016	Resigned on 25 July 2016	–

* TPG – Tune Protect Group Berhad
TIMB – Tune Insurance Malaysia Berhad
TPR – Tune Protect Re Ltd
TDL – Tune Direct Ltd
TDM – Tune Direct (M) Sdn Bhd
TIL – Tune Insurance (Labuan) Ltd
TIPCCL – Tune Insurance PCC Ltd

Click • Buy • Protect

INSURANCE MADE EASY

Directors' Benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company or its subsidiaries were a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Company and related corporations, or the fixed salary of a full-time employee of the Company as shown in Notes 27 and 34(b) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During the financial year, the amount of indemnity given or insurance effected for any directors and officers of the Group and of the Company amounted to RM30,000,000.



DIRECTORS' REPORT

Directors' Interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company or its related corporations during the financial year were as follows:

Number of ordinary shares of RM0.10 each			
As at 1.1.2016 '000	Acquired '000	Disposed '000	As at 31.12.2016 '000

Direct interests:

Directors of the Company:

Tan Sri Dr. Anthony Francis Fernandes	100	—	—	100
Datuk Kamarudin Bin Meranun	82	—	—	82
Ng Soon Lai @ Ng Siek Chuan	100	—	—	100

Directors of the subsidiaries:

Mohd Yusof Bin Hussian	35	15	—	50
Chee Siew Eng	10	—	—	10

Indirect interests:

Tan Sri Dr. Anthony Francis Fernandes ^{#1}	102,609	—	—	102,609
Tan Sri Dr. Anthony Francis Fernandes ^{#2}	125,083	—	—	125,083
Datuk Kamarudin Bin Meranun ^{#1}	102,609	—	—	102,609
Datuk Kamarudin Bin Meranun ^{#2}	125,083	—	—	125,083

Notes:

^{#1} Deemed interested by virtue of his interest in AirAsia Berhad

^{#2} Deemed interested by virtue of his interest in Tune Group Sdn Bhd

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

Employees' Share Option Scheme ("ESOS")

On 18 March 2014, the Company offered 15,715,000 ESOS shares to eligible employees of the Group. The offer period was from 18 March 2014 to 17 April 2014. The ESOS is exercisable over a period of 10 years from the grant date of 17 April 2014 at an exercise price of RM1.71 per ESOS share.

The members of the committee administering the ESOS are as follows:

Datuk Kamarudin Bin Meranun	
Razman Hafidz Bin Abu Zarim	<i>(appointed on 19 August 2016)</i>
Chen Ooi Wai	<i>(appointed on 19 August 2016)</i>
Junior Namjick Cho	<i>(resigned on 15 July 2016)</i>
Tan Ah Moi	<i>(resigned 19 August 2016)</i>

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

Details of the ESOS as at 31 December 2016 are as follows:

Tranche	Vesting date	Term to expiry from grant date	Vesting period from grant date	Exercise price RM	Number of options
1	17 April 2015	10 years	1 year	1.71	3,928,750
2	17 April 2016	10 years	2 years	1.71	3,928,750
3	17 April 2017	10 years	3 years	1.71	3,928,750
4	17 April 2018	10 years	4 years	1.71	3,928,750
					15,715,000

On 17 November 2016, a conditional offer of 1,000,000 ESOS shares had been made with an option period of 8 years for the Group Chief Executive Officer, Encik Razman Hafidz Bin Abu Zarim at an exercise price of RM1.45. This offer is subject to the approval of the shareholders of the Company at the next annual general meeting of the Company to be convened by the month of May 2017. Accordingly, there are financial statement impacts arising due to this matter for the year ended 31 December 2016.



DIRECTORS' REPORT

Other Statutory Information

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the allowances for doubtful debts of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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Other Statutory Information (Cont'd.)

(f) In the opinion of the directors: (Cont'd.)

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

(g) Before the statements of financial position and the statements of comprehensive income were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by BNM and to comply with the valuation requirements stipulated in the Labuan Financial Services Authority's ("Labuan FSA") Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business.

Significant and Subsequent Events

The significant and subsequent events during and after the financial year are as disclosed in Note 43 to the financial statements.

Auditors and Auditors' Remuneration

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

Auditors' remuneration are disclosed in Note 27 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2017.

Datuk Kamarudin Bin Meranun

Tan Ming-Li

Kuala Lumpur, Malaysia



STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Datuk Kamarudin Bin Meranun and Tan Ming-Li, being two of the directors of Tune Protect Group Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 104 to 236 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 Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 44 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 March 2017.

Datuk Kamarudin Bin Meranun

Tan Ming-Li

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Razman Hafidz Bin Abu Zarim being the officer primarily responsible for the financial management of Tune Protect Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 104 to 236 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Razman Hafidz Bin Abu Zarim at
Kuala Lumpur in the Federal Territory
on 29 March 2017

Razman Hafidz Bin Abu Zarim

Before me,

Loo Swee Beng

Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Tune Protect Group Berhad (Incorporated in Malaysia)

Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of Tune Protect Group Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 104 to 236.

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

Basis for Opinion

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

Independence and other Ethical Responsibilities

We are independent of the Group and 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.



INDEPENDENT AUDITORS' REPORT

to the members of Tune Protect Group Berhad (Incorporated in Malaysia)

Report on The Audit of The Financial Statements (Cont'd.)

Key Audit Matters (Cont'd.)

1. Valuation of general insurance contract liabilities of the Group

The Group's insurance contract liabilities as at 31 December 2016 amounted to RM562.9 million or approximately 78% of its total liabilities. The insurance contract liabilities include the claims and premium liabilities of the insurance and reinsurance subsidiaries, Tune Insurance Malaysia Berhad and Tune Protect Re Ltd.

These liabilities have been estimated based on standard actuarial valuation methodologies and other estimation models as allowed under the Risk-based Capital Framework issued by Bank Negara Malaysia and guidelines issued by the Labuan Financial Services Authority, as well as the accounting policies described in Note 2.3(q)(ii), (iii) and (iv) for premium liabilities, claim liabilities and liability adequacy test respectively.

The complexity of the actuarial valuation methodologies and other estimation models applied to claims and premium liabilities may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant valuation models by the management's expert and the use of inappropriate or outdated assumptions. In deriving the claims and premium liabilities of the Group as at 31 December 2016, the Directors and management have commissioned the services of an independent third-party professional actuary ("the Appointed Actuary").

Estimates of claims liabilities have to be made for both the expected ultimate costs of claims already reported at the reporting date, and for the expected ultimate costs of claims incurred but not yet reported ("IBNR") as of the financial year end. The estimates of premium liabilities is based on the higher of the Unearned Premium Reserves ("UPR"), as estimated by management and the Unexpired Risk Reserve ("URR"), as estimated by the Appointed Actuary. The estimation of insurance contract liabilities are sensitive to various factors and uncertainties as discussed in Note 37(b). Significant management judgement is applied in setting these assumptions.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating the insurance contract liabilities of the Group;
- Reviewing the reports prepared by the Appointed Actuary in respect of the insurance contract liabilities of the Group;
- Assessing the design and testing the operating effectiveness of internal controls over the actuarial valuation process with respect to financial reporting;
- Testing the completeness and sufficiency of data used in the actuarial valuations. These tests also included control tests performed on a selected sample of claims reserves, claims paid and insurance policies issued by the Group to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;
- Assessing the experience analyses of the insurance and reinsurance subsidiary used during the setting of the key assumptions to derive the insurance contract liabilities and challenging the rationale applied by the Appointed Actuary and management in deriving those assumptions. In addition and where appropriate, comparisons have also been made against other industry constituents and the experience of the respective subsidiaries;

Report on The Audit of The Financial Statements (Cont'd.)

Key Audit Matters (Cont'd.)

1. Valuation of general insurance contract liabilities of the Group (Cont'd.)

- Performing independent analyses and re-computation of the insurance contract liabilities for selected classes of business, focusing on the most significant business portfolio and those which may potentially result in significant deviations in estimates. We compared our independent analyses to those performed by management to ascertain if the reserves were sufficient and within range of our independent analyses;
- Reviewing the Liability Adequacy Test results performed by the insurance and reinsurance subsidiaries;
- Performing tests on the UPR calculations produced by management and thereafter, comparing the UPR against the URR valuation performed by the Appointed Actuary to ascertain if adequate reserves have been established;
- Reviewing management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the security of the underlying reinsurance counterparties; and
- Assessing the adequacy of disclosures made in respect of the insurance contract liabilities of the Group as disclosed in Note 16.

We have also engaged our Actuarial Services professionals in accordance with the requirements of International Standards on Auditing 620 : *Reliance on the Work of an Auditors' Expert* to assist us in performing our audit procedures on the insurance contract liabilities of the Group.

2. Intangible asset – Goodwill of the Group and Investment in insurance subsidiary of the Company

(a) Intangible asset – Goodwill of the Group

Goodwill represents the purchase consideration paid to acquire the net identifiable assets and liabilities assumed for the insurance subsidiary of the Group. The carrying value as at 31 December 2016 amounted to RM24.2 million (as disclosed in Note 9 to the financial statements). This asset, which has an indefinite useful life is tested for impairment annually and whenever there is indication that it is impaired.

(b) Investment in insurance subsidiary of the Company

The Company's investments in subsidiaries amounted to RM175.5 million as of 31 December 2016 (as disclosed in Note 6 to the financial statements). Included in investment in subsidiaries is the cost of investment in the insurance subsidiary, Tune Insurance Malaysia Berhad, amounting to RM164.5 million.

The Group has performed an impairment assessment to ascertain if the Value-In-Use ("VIU") of the insurance cash generating unit ("CGU") is sufficient to support the carrying values of the intangible asset – goodwill of the Group and the investment in insurance subsidiary of the Company.



INDEPENDENT AUDITORS' REPORT

to the members of Tune Protect Group Berhad (Incorporated in Malaysia)

Report on The Audit of The Financial Statements (Cont'd.)

Key Audit Matters (Cont'd.)

2. Intangible asset – Goodwill of the Group and Investment in insurance subsidiary of the Company (Cont'd.)

(b) Investment in insurance subsidiary of the Company (Cont'd.)

In testing for impairment, the Group estimated the VIU of the insurance CGU using the discounted cash flow ("DCF") method. The DCF method requires the application of assumptions which are subjective in nature and which will require judgement in its application. The application of such assumptions will have an impact on the estimated VIU and thus, affect the impairment decisions to be made for the CGU. The key assumptions used in deriving the VIU of the insurance CGU include gross written premium growth, retention and claims incurred ratios, terminal value estimates and discount rates. These key assumptions are disclosed in Note 9 to the financial statements and the policy for impairment of non-financial assets is disclosed in Note 2.3(g).

Our audit procedures were focused on the following key areas:

- Challenging the key assumptions which would have the most significant effect on the estimated VIU calculated by the Group and benchmarking these against industry and historical experiences of the Group;
- Understanding the rationale and considerations used by management in deriving the relevant assumptions underlying the DCF and related VIU estimates;
- Performing mathematical accuracy calculations on the DCF workings performed by the Group;
- Performing appropriate stress-tests on the DCF estimated by the Group to estimate the VIU of the insurance CGU; and
- Assessing the adequacy of disclosures made in respect of goodwill of the Group and investments in subsidiaries.

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Report on The Audit of The Financial Statements (Cont'd.)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.



INDEPENDENT AUDITORS' REPORT

to the members of Tune Protect Group Berhad (Incorporated in Malaysia)

Report on The Audit of The Financial Statements (Cont'd.)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and 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 Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other Reporting Responsibilities

The supplementary information set out in Note 44 on page 237 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
29 March 2017

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



STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property and equipment	3	8,897	8,891	1,077	921
Investment property	4	2,926	2,954	–	–
Intangible assets	5	3,998	4,884	681	846
Investments in subsidiaries	6	–	–	175,475	187,782
Investments in associates	7	52,328	47,788	40,955	40,955
Investment in a joint venture company	8	2,101	1,251	433	433
Goodwill	9	24,165	24,165	–	–
Investments	10	693,593	587,622	67,145	69,038
Deferred tax assets	17	2,683	696	–	–
Reinsurance assets	11	211,733	244,802	–	–
Insurance receivables	12	141,187	132,273	–	–
Other receivables	13	113,478	123,063	7,943	8,411
Cash and bank balances		9,713	33,293	895	7,190
Total assets		1,266,802	1,211,682	294,604	315,576
Equity					
Share capital	14	75,176	75,176	75,176	75,176
Share premium	14	173,343	173,343	173,343	173,343
Merger deficit	15	(13,838)	(13,838)	–	–
Available-for-sale ("AFS") reserves		(4,809)	(4,969)	–	–
Employee share option reserves		5,897	4,705	5,897	4,705
Foreign currency translation reserve		7,486	5,777	–	–
Retained earnings		253,390	211,002	36,251	48,622
Equity attributable to owners of the parent		496,645	451,196	290,667	301,846
Non-controlling interests	6	44,712	40,424	–	–
Total equity		541,357	491,620	290,667	301,846
Liabilities					
Insurance contract liabilities	16	562,858	577,288	–	–
Deferred tax liabilities	17	1,505	1,802	–	–
Insurance payables	18	108,614	87,550	–	–
Retirement benefits	19	418	530	–	–
Other payables	20	52,050	52,892	3,937	13,730
Total liabilities		725,445	720,062	3,937	13,730
Total equity and liabilities		1,266,802	1,211,682	294,604	315,576

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

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INSURANCE MADE EASY

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating revenue	21	516,621	480,193	45,982	28,789
Gross earned premiums	22(a)	486,345	453,448	–	–
Premiums ceded to reinsurers	22(b)	(153,327)	(149,608)	–	–
Net earned premiums	22	333,018	303,840	–	–
Investment income	23	30,276	26,745	45,982	28,789
Realised gains and losses	24	48	(28)	1,948	833
Fair value gains and losses		(242)	(375)	(1,791)	(940)
Fees and commission income		28,966	27,289	–	–
Other operating income	25	4,989	6,991	5,373	3,522
Other revenue		64,037	60,622	51,512	32,204
Gross claims paid	26	(177,196)	(162,927)	–	–
Claims ceded to reinsurers	26	73,088	72,763	–	–
Gross change to contract liabilities	26	29,079	(17,516)	–	–
Change in contract liabilities ceded to reinsurers	26	(38,181)	(14,608)	–	–
Net claims	26	(113,210)	(122,288)	–	–
Fee and commission expense		(85,729)	(80,823)	–	–
Management expenses	27	(107,090)	(82,235)	(24,924)	(19,353)
Other operating expenses	25	(370)	(285)	(1,307)	(663)
Other expenses		(193,189)	(163,343)	(26,231)	(20,016)
Share of results of associates		2,808	(2,835)	–	–
Share of results of a joint venture company		1,219	527	–	–
Profit before taxation		94,683	76,523	25,281	12,188
Taxation	29	(8,098)	(3,640)	(64)	(31)
Net profit for the year		86,585	72,883	25,217	12,157

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



STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit for the year		86,585	72,883	25,217	12,157
Other comprehensive income/(loss):					
<u>Items that will not be subsequently reclassified to profit or loss:</u>					
Share of other comprehensive income/(loss) of an associate		84	(198)	–	–
<u>Items that may be subsequently reclassified to profit or loss:</u>					
Changes in AFS financial assets, net:		92	(911)	–	–
– Gain/(loss) on fair value changes of AFS financial assets	10(d)	176	(1,002)	–	–
– Realised gains transferred to profit or loss	10(d)	(29)	(305)	–	–
– Deferred tax relating to AFS financial assets	17	(55)	396	–	–
Effect of post-acquisition foreign exchange translation reserve on investment in associates		1,709	4,316	–	–
Other comprehensive income for the year		1,885	3,207	–	–
Total comprehensive income for the year		88,470	76,090	25,217	12,157
Profit attributable to:					
Owners of the parent		79,976	68,972	25,217	12,157
Non-controlling interests		6,609	3,911	–	–
		86,585	72,883	25,217	12,157
Other comprehensive income/(loss) attributable to:					
Owners of the parent		1,869	3,359	–	–
Non-controlling interests		16	(152)	–	–
		1,885	3,207	–	–
Total comprehensive income attributable to:					
Owners of the parent		81,845	72,331	25,217	12,157
Non-controlling interests		6,625	3,759	–	–
		88,470	76,090	25,217	12,157
Earnings per share attributable to owners of the parent (sen per share)					
Basic and diluted	30	10.64	9.17		

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

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INSURANCE MADE EASY

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Attributable to the owners of the parent									
	Non-distributable						Distributable			
	Share capital RM'000 (Note 14)	Share premium RM'000 (Note 14)	Merger deficit RM'000 (Note 15)	Available-for-sale reserves RM'000	Employee share option reserves RM'000	Foreign currency translation reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015	75,176	173,343	(13,838)	(4,012)	2,169	1,461	172,401	406,700	38,511	445,211
Net profit for the year	-	-	-	-	-	-	68,972	68,972	3,911	72,883
Other comprehensive (loss)/ income for the year	-	-	-	(957)	-	4,316	-	3,359	(152)	3,207
Total comprehensive (loss)/ income for the year	-	-	-	(957)	-	4,316	68,972	72,331	3,759	76,090
Grant of equity-settled share options to employees	-	-	-	-	2,536	-	-	2,536	-	2,536
Dividends on ordinary shares (Note 31)	-	-	-	-	-	-	(30,371)	(30,371)	-	(30,371)
Dividends paid to non- controlling interests (Note 6)	-	-	-	-	-	-	-	-	(1,846)	(1,846)
At 31 December 2015	75,176	173,343	(13,838)	(4,969)	4,705	5,777	211,002	451,196	40,424	491,620
At 1 January 2016	75,176	173,343	(13,838)	(4,969)	4,705	5,777	211,002	451,196	40,424	491,620
Net profit for the year	-	-	-	-	-	-	79,976	79,976	6,609	86,585
Other comprehensive income for the year	-	-	-	160	-	1,709	-	1,869	16	1,885
Total comprehensive income for the year	-	-	-	160	-	1,709	79,976	81,845	6,625	88,470
Grant of equity-settled share options to employees	-	-	-	-	1,192	-	-	1,192	-	1,192
Dividends on ordinary shares (Note 31)	-	-	-	-	-	-	(37,588)	(37,588)	-	(37,588)
Dividends paid to non- controlling interests (Note 6)	-	-	-	-	-	-	-	-	(2,337)	(2,337)
At 31 December 2016	75,176	173,343	(13,838)	(4,809)	5,897	7,486	253,390	496,645	44,712	541,357

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



STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Company	Share capital RM'000 (Note 14)	Non-distributable		Distributable	
		Share premium RM'000 (Note 14)	Employee share option reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2015	75,176	173,343	2,169	66,836	317,524
Total comprehensive income for the year	–	–	–	12,157	12,157
Dividends on ordinary shares (Note 31)	–	–	–	(30,371)	(30,371)
Grant of equity-settled share options to employees	–	–	2,536	–	2,536
At 31 December 2015	75,176	173,343	4,705	48,622	301,846
At 1 January 2016	75,176	173,343	4,705	48,622	301,846
Total comprehensive income for the year	–	–	–	25,217	25,217
Dividends on ordinary shares (Note 31)	–	–	–	(37,588)	(37,588)
Grant of equity-settled share options to employees	–	–	1,192	–	1,192
At 31 December 2016	75,176	173,343	5,897	36,251	290,667

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

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STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before taxation		94,683	76,523	25,281	12,188
Adjustments for:					
Investment income	23	(30,276)	(26,745)	(45,982)	(28,789)
Net unrealised gains on foreign exchange	25	(2,715)	(1,751)	(309)	(10)
Realised gain on disposal of AFS and fair value through profit or loss ("FVTPL") investments	24	(35)	(145)	(1,956)	(1,110)
Realised loss on disposal of investment in a subsidiary	24	–	–	8	–
Realised loss on disposal of investment in an associate	24	–	73	–	277
Fair value losses of investments		242	375	1,791	940
(Gain)/loss on disposal of property and equipment	24	(13)	100	–	–
Depreciation of property and equipment	3	2,174	1,950	417	393
Depreciation of investment property	4	28	28	–	–
Amortisation of intangible assets	5	2,379	2,068	306	205
Write-off of property and equipment	25	312	–	–	–
Write-off of intangible assets	25	–	270	–	–
Allowance for/(reversal of) impairment losses of insurance receivables	12	588	(3,112)	–	–
Grant of equity-settled share options to employees	27(a)	1,192	2,536	416	497
Impairment loss on investment in subsidiaries	25	–	–	1,307	663
Share of results of associates		(2,808)	2,835	–	–
Share of results of a joint venture company		(1,219)	(527)	–	–
Operating profit/(loss) before working capital changes		64,532	54,478	(18,721)	(14,746)
Reinsurance assets		51,010	14,479	–	–
Insurance receivables		36,213	(41,249)	–	–
Other receivables		8,880	(39,696)	563	(3,168)
Insurance contract liabilities		(32,372)	38,049	–	–
Insurance payables		(22,118)	20,788	–	–
Retirement benefits		(9)	10	–	–
Other payables		(1,320)	14,178	1,441	(391)



STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash generated from/(used in) operating activities		104,816	61,037	(16,717)	(18,305)
Net interest received		29,460	18,959	33	140
Net dividend received		1,320	10,913	43,507	26,160
Rental received		313	363	-	-
Retirement benefits paid	19	(103)	(272)	-	-
Income tax paid		(10,576)	(7,469)	(106)	(100)
Net cash generated from operating activities		125,230	83,531	26,717	7,895
Investing activities					
01 Purchases of AFS financial assets	10(d)	-	(857)	-	-
02 Purchases of FVTPL financial assets	10(d)	(222,180)	(56,175)	(47,000)	(27,500)
03 Proceeds from maturities/disposal of AFS financial assets	10(d)	12,173	5,885	-	-
04 Proceeds from disposal of FVTPL financial assets	10(d)	155,639	47,700	51,500	40,500
05 Increase in loans and receivables ("LAR")		(58,233)	(36,985)	-	-
06 Proceeds from disposal of property and equipment		37	7	-	-
Purchase of property and equipment	3	(2,517)	(1,059)	(573)	(240)
Purchase of investment property	4	-	(103)	-	-
Purchase of intangible assets	5	(1,493)	(1,304)	(141)	(642)
Subscription of additional shares in subsidiaries	6	-	-	-	(800)
Net cash (used in)/generated from investing activities		(116,574)	(42,891)	3,786	11,318

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financing activities					
Advances from subsidiaries		–	–	481	12,054
Dividends paid to equity holder		(37,588)	(30,371)	(37,588)	(30,371)
Dividends paid to non-controlling interests		(2,337)	(1,846)	–	–
Net cash used in financing activities		(39,925)	(32,217)	(37,107)	(18,317)
Net (decrease)/increase in cash and cash equivalents		(31,269)	8,423	(6,604)	896
Effect of exchange rate changes on cash and cash equivalents		181	959	309	10
Cash and cash equivalents at beginning of year		79,589	70,207	7,190	6,284
Cash and cash equivalents at end of year		48,501	79,589	895	7,190
Cash and cash equivalents comprise:					
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions (Note 10(a))		38,788	46,296	–	–
Cash and bank balances		9,713	33,293	895	7,190
		48,501	79,589	895	7,190

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate Information

Tune Protect Group Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are set out in Note 6.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year other than disclosed in Note 6.

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

Principal place of business

Level 9, Wisma Tune
No. 19, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Registered office

B-13-15, Level 13, Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 March 2017.

2. Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had fully adopted the new and amended MFRSs as described fully in Note 2.4.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

2. Significant Accounting Policies (Cont'd.)

2.1 Basis of preparation (Cont'd.)

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

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

2.2 Basis of consolidation

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, incomes and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.2 Basis of consolidation (Cont'd.)

(a) Basis of consolidation (Cont'd.)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised as fair value.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at the acquisition date ("acquisition date fair value"), and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in management expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139"), is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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2. Significant Accounting Policies (Cont'd.)

2.2 Basis of consolidation (Cont'd.)

(b) Business combinations and goodwill (Cont'd.)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Merger method of accounting

Business combinations involving entities under common control are accounted for by applying the merger method of accounting. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as a merger reserve or merger deficit. The statements of comprehensive income reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

2.3 Summary of significant accounting policies

(a) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(a) Investments in associates and joint ventures (Cont'd.)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(b) Property and equipment

Property and equipment includes property occupied by the Group, renovation, furniture, fittings, office equipment, computers and motor vehicles. Freehold land is not depreciated and is carried at cost. Other property and equipment are stated at cost less accumulated depreciation and any impairment losses. Residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g).

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

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

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation of property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	over the lease term of 99 years
Buildings	2%
Renovation	10%
Motor vehicles	20%
Furniture, fittings and office equipment	12% - 17%
Computers	25%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of a property and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in profit and loss.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(c) Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not significantly occupied by the Group, for use by, or in the operations of the Group, are classified as investment property. If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value on the date of transfer.

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(g).

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment properties. The residual values and useful lives of the investment properties are reviewed, and adjusted if appropriate, at each reporting date.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(c) Investment property (Cont'd.)

Any gains or losses on the retirement or disposal of an investment property are recognised when it has been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(d) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

(e) Intangible assets

Intangible assets of the Group and the Company consist of computer software, agency relationship, customer relationship and digital direct marketing platform. These intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once annually at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

The acquired intangible assets are amortised using the straight line method over the following estimated useful lives:

Computer software	4 years
Agency relationship	8 years
Customer relationship	5 years
Digital direct marketing platform	4 years

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(e) Intangible assets (Cont'd.)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(f) Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(g) Impairment of non-financial assets

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

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that is expected to benefit from the synergies of the combination.

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

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

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

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Investments and financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR"), and available-for-sale ("AFS") financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group or the Company commit to purchase or sell the asset.

Subsequent measurement

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading and those designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, LAR are measured at amortised cost, using the effective interest rate method, less impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(h) Investments and financial assets (Cont'd.)

Subsequent measurement (Cont'd.)

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the two preceding categories.

After initial measurement, AFS financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income ("OCI") and credited or debited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's or the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group or the Company have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group or the Company have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group or the Company continue to recognise the transferred asset to the extent of the Group's or the Company's continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(i) Impairment of financial assets

The Group and the Company assess, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and the Company first assess whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group or the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group or the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited in profit or loss.

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

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

AFS financial assets

For AFS financial assets, the Group and the Company assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group and the Company evaluate, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, 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 through profit or loss.

(j) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus any directly attributable transaction costs.

All financial liabilities of the Group and the Company, comprising insurance payables, retirement benefits and other payables, except for those covered under MFRS 4 *Insurance Contracts* ("MFRS 4"), are classified as other financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(j) Financial liabilities (Cont'd.)

Subsequent measurement

Insurance payables and other payables are subsequently measured at amortised cost using the effective interest rate method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

(k) Insurance receivables

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

If there is objective evidence that an insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(i).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3(h), have been met.

(l) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition insurance payables

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(m) Equity instruments

Ordinary share capital

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

Dividends on ordinary share capital

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

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

(n) Fair value measurement

The Group and the Company measure certain financial instruments at fair value at each reporting date.

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

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

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

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

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

For investments in unit trust funds and collective investment schemes, fair value is determined by reference to published net asset values.

The fair values of floating rate over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placements.

The fair values of Malaysian Government Securities, Cagamas Papers and unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- | | |
|--|---------|
| - Disclosures for valuation methods, significant estimates and assumptions | Note 40 |
| - Quantitative disclosures of fair value measurement hierarchy | Note 40 |
| - Investment property | Note 4 |
| - Financial instruments (including those carried at amortised cost) | Note 40 |

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(o) Product classification

The Group currently only issues contracts that transfer insurance risk.

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

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

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

Investments contracts are those contracts that do not transfer significant insurance risk.

(p) Reinsurance

The Group assumes reinsurance risk in the normal course of business for general and life insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(p) Reinsurance (Cont'd.)

Reinsurance assets represent balances due from reinsurance companies in relation to unsettled insurance contract liabilities as at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

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

(q) General insurance/reinsurance underwriting results

The general insurance/reinsurance underwriting results are determined after taking into account premiums, movements in premium liabilities and claim liabilities and commissions.

(i) Gross premiums

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

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

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and are contractually accounted for under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

(ii) Premium liabilities

Premium liabilities represent the insurance/reinsurance subsidiaries' future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(q) General insurance/reinsurance underwriting results (Cont'd.)

(ii) Premium liabilities (Cont'd.)

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the insurance/reinsurance subsidiaries' unexpired risk reserves ("URR") at the end of the financial period and a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at a 75% confidence level.

Unexpired risk reserves

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

URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to Incurred But Not Reported ("IBNR") claims.

Unearned premium reserves

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

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

- 25% method for marine, aviation cargo and transit business
- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
– Standalone individuals	15%
– Group of 3 or more	10%
Workmen's compensation and employers' liability	
– Foreign workers	10%
– Other workers	25%
– Employers' Liability	25%
Other classes	25%



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(q) General insurance/reinsurance underwriting results (Cont'd.)

(ii) Premium liabilities (Cont'd.)

Unearned premium reserves (Cont'd.)

- 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission
- Non-annual policies are time apportioned over the period of the risks

(iii) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. The value is the best estimate value of claim liabilities which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), IBNR claims and direct and indirect claim-related expenses as well as a PRAD at a 75% confidence level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(iv) Liability adequacy test

At each reporting date, the insurance/reinsurance subsidiaries review all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Group compares all contractual cash flows against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the insurance/reinsurance subsidiaries.

(v) Acquisition cost

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

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(r) Other revenue recognition

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured.

Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

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

Realised gains and losses on investments

Realised gains and losses recorded in profit or loss include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original, revalued or amortised cost and are recorded on occurrence of the sale transaction.

Fees and commission income

Fees and commission income derived from reinsurers in the course of cession of premiums to reinsurers are charged to profit or loss in the period in which they are incurred.

Management fees income

Management fees income from subsidiaries are recognised when services are rendered.

(s) Income tax

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(s) Income tax (Cont'd.)

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

Deferred tax is recognised as income or an expense and included in profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

Labuan income tax represents the amount payable in respect of the chargeable profit for the year and is measured at 3% of the chargeable profit or by election under Section 7 of the Labuan Business Activity Tax Act, 1990, to pay a flat amount of RM20,000.

(t) Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(u) Employee benefits

Short-term benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Group and the Company make such contributions to the Employees Provident Fund ("EPF").

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(u) Employee benefits (Cont'd.)

Staff retirement benefits

Provision for retirement benefits is made for all eligible staff in the Group from the date of employment under an unfunded defined contribution plan. For eligible executive staff, gratuity is calculated based on the last drawn monthly salary of an employee multiplied by years of service up to a maximum of 15 years. For eligible clerical staff, an additional 3% over and above the Group's and the Company's monthly statutory EPF contribution is provided. The staff will be entitled to this gratuity upon completion of 5 years of service in the Group.

Other staff are entitled to additional EPF contribution between 1% to 5% over the Group's and the Company's monthly statutory EPF contribution rate after completion of 1 year of service. This benefit is charged to profit or loss as incurred.

Share-based compensation

Employee Share Option Scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the Group's employees to acquire shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost or amounts due from subsidiaries, with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. The share option reserve is transferred to retained earnings upon expiry of the share options.



NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(v) Foreign currencies

(i) Functional and presentation currency

The financial statements of the Group and the Company are recorded using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the Group and the Company, transactions in currencies other than the Group and the Company's functional currencies are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(w) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and deposits held at call with financial institutions with original maturities of three months or less.

(x) Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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2. Significant Accounting Policies (Cont'd.)

2.3 Summary of significant accounting policies (Cont'd.)

(y) Goods and Service Tax ("GST")

GST is a multistage consumption tax on domestic consumption.

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

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except with respect to the following new and amended MFRSs and improvements for standards which are mandatory for annual financial periods beginning on or after 1 January 2016 and which were adopted by the Company on 1 January 2016.

Description	Effective for annual period beginning on or after
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Annual Improvements to MFRSs 2012–2014 Cycle	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiatives</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016

The adoption of the above pronouncements did not have any impact on the financial statements of the Group or the Company.



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For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.5 Standards issued but not yet effective

The following are Standards, Amendments to Standards, Interpretations and annual improvements to standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend to adopt these Standards, Amendments to Standards, Interpretations and annual improvements to standards, if applicable, when they become effective:

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

2. Significant Accounting Policies (Cont'd.)

2.5 Standards issued but not yet effective (Cont'd.)

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2014) is permitted if the date of initial application is before 1 February 2015.

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

Classification and measurement

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

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI is introduced;
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's and the Company's financial assets, and may have no impact on the classification and measurement of the Group's and the Company's financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.5 Standards issued but not yet effective (Cont'd.)

MFRS 9 Financial Instruments (Cont'd.)

Impairment (Cont'd.)

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

The Group is in the process of assessing the financial implications for applying MFRS 9 and will make a decision on the options available to it, as accorded under amendments to MFRS 4, which is discussed below.

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

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

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if: (i) it has not previously applied any version of MFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income, an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time. The Group is currently evaluating the options for the application of the Amendments to MFRS 4.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 was issued in 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the considerations to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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2. Significant Accounting Policies (Cont'd.)

2.5 Standards issued but not yet effective (Cont'd.)

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

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

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 17 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Lessee

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

(ii) Lessor

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

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

The financial effects arising from the adoption of this standard are still being assessed by the Group.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.6 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

(i) Deferred tax assets (Note 17)

Deferred tax assets are recognised for unutilised business losses, unutilised capital allowances, various allowances and provisions to the extent that it is probable that taxable profit will be available against which these losses, allowances and provisions can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) Property and equipment and investment property (Notes 3 and 4)

Property and equipment and investment property requires the review of the residual value and remaining useful life of an item of property and equipment and investment property at least at each financial year end.

Management estimates that the residual values and remaining useful lives are applicable for the current financial year.

(iii) Consolidation of investment in collective investment schemes, Libra MoneyEXTRA Fund II, AmCash Institutional 9 and Affin Hwang Income Fund I (Note 6)

Note 6 describes that Libra MoneyEXTRA Fund II, AmCash Institutional 9 and Affin Hwang Income Fund I are subsidiaries of the Group.

The directors of the Company assessed whether or not the Group has control over Libra MoneyEXTRA Fund II, AmCash Institutional 9 and Affin Hwang Income Fund I based on whether the Group has the power to direct relevant activities and has exposure or rights to variable returns of Libra MoneyEXTRA Fund II, AmCash Institutional 9 and Affin Hwang Income Fund I. In making their judgement, the directors considered the Group's absolute size of holding in Libra MoneyEXTRA Fund II, AmCash Institutional 9 and Affin Hwang Income Fund I and the power to convene a special meeting to remove the trustee or the fund manager without any specific reason.

2. Significant Accounting Policies (Cont'd.)

2.6 Significant accounting judgements, estimates and assumptions (Cont'd.)

(b) Key sources of estimation uncertainty and assumptions

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

(i) Valuation of general insurance/reinsurance contract liabilities (Note 16)

For general insurance/reinsurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims.

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios and Bornhuetter-Ferguson ("BF") method.

The main assumption underlying these techniques is that the insurance/reinsurance subsidiaries' past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The carrying value of insurance contract liabilities as at 31 December 2016 amounted to RM562,858,000 (2015: RM577,288,000) and its components and movements during the year are disclosed in Note 16.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant Accounting Policies (Cont'd.)

2.6 Significant accounting judgements, estimates and assumptions (Cont'd.)

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

(ii) Uncertainty in accounting estimates for general insurance/reinsurance business (Note 16)

The principal uncertainty in the insurance/reinsurance subsidiaries' general insurance/reinsurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims, IBNR and direct and indirect claim-related expenses as well as the PRAD at 75% confidence level.

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

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

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the insurance/reinsurance subsidiaries. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

Note 37(b) provides a sensitivity analysis on the effects of changes in key assumptions on the carrying value of insurance contract liabilities as well as the consequential impacts to profit or loss and equity.

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3. Property and Equipment

Group	<div> <div>←</div> <div>Properties</div> <div>→</div> </div>		Renovation RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
	Leasehold land RM'000	Buildings on leasehold land RM'000				
Cost						
At 1 January 2015	1,237	2,210	1,075	93	5,765	10,380
Additions	–	–	18	–	1,041	1,059
Disposals	–	–	(76)	–	(350)	(426)
At 31 December 2015	1,237	2,210	1,017	93	6,456	11,013
Additions	–	–	952	85	1,480	2,517
Disposals	–	–	–	(83)	(5)	(88)
Written off	–	–	(298)	–	(184)	(482)
At 31 December 2016	1,237	2,210	1,671	95	7,747	12,960
Accumulated depreciation						
At 1 January 2015	30	74	181	17	189	491
Charge for the year (Note 27)	15	25	156	36	1,718	1,950
Disposals	–	–	(26)	–	(293)	(319)
At 31 December 2015	45	99	311	53	1,614	2,122
Charge for the year (Note 27)	15	26	170	29	1,934	2,174
Disposals	–	–	–	(58)	(5)	(63)
Written off	–	–	(88)	–	(82)	(170)
At 31 December 2016	60	125	393	24	3,461	4,063
Net carrying amount						
At 31 December 2015	1,192	2,111	706	40	4,482	8,891
At 31 December 2016	1,177	2,085	1,278	71	4,286	8,897



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For the financial year ended 31 December 2016

3. Property and Equipment (Cont'd.)

Company	Renovation RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Cost			
At 1 January 2015	27	1,445	1,472
Additions	–	240	240
At 31 December 2015	27	1,685	1,712
Additions	434	139	573
Written off	–	(5)	(5)
At 31 December 2016	461	1,819	2,280
Accumulated depreciation			
At 1 January 2015	27	371	398
Charge for the year (Note 27)	–	393	393
At 31 December 2015	27	764	791
Charge for the year (Note 27)	–	417	417
Written off	–	(5)	(5)
At 31 December 2016	27	1,176	1,203
Net carrying amount			
At 31 December 2015	–	921	921
At 31 December 2016	434	643	1,077

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4. Investment property

	Group	
	2016 RM'000	2015 RM'000
Freehold land and building		
Cost		
At 1 January	3,053	2,950
Additions	–	103
At 31 December	3,053	3,053
Accumulated depreciation		
At 1 January	99	71
Charge for the year (Note 27)	28	28
At 31 December	127	99
Net carrying amount	2,926	2,954
Fair value	2,850	2,850

The fair value was estimated in-house based on the direct value comparison approach. Management believes the estimated fair value resulting from this valuation technique is reasonable and the most appropriate at the reporting date.

	Group	
	2016 RM'000	2015 RM'000
Rental income derived from investment properties	330	384
Direct operating expenses (including repairs and maintenance) generating rental income	(17)	(21)
Profit arising from investment properties carried at fair value	313	363

The Group has no restrictions on the realisability of its investment property and no contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements.

The fair value hierarchy disclosure for investment properties has been provided in Note 40.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. Intangible Assets

Group	Computer software RM'000	Agency relationship RM'000	Customer relationship RM'000	Digital direct marketing platform RM'000	Total RM'000
Cost					
At 1 January 2015	3,508	3,100	2,500	451	9,559
Additions	739	–	–	565	1,304
Written off	(32)	–	–	(452)	(484)
At 31 December 2015	4,215	3,100	2,500	564	10,379
Additions	1,493	–	–	–	1,493
At 31 December 2016	5,708	3,100	2,500	564	11,872
Accumulated amortisation					
At 1 January 2015	1,245	1,002	1,291	103	3,641
Amortisation for the year (Note 27)	1,004	388	500	176	2,068
Written off	(8)	–	–	(206)	(214)
At 31 December 2015	2,241	1,390	1,791	73	5,495
Amortisation for the year (Note 27)	1,350	388	500	141	2,379
At 31 December 2016	3,591	1,778	2,291	214	7,874
Net carrying amount					
At 31 December 2015	1,974	1,710	709	491	4,884
At 31 December 2016	2,117	1,322	209	350	3,998

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5. Intangible Assets

Company	Computer software RM'000	Digital direct marketing platform RM'000	Total RM'000
Cost			
At 1 January 2015	491	–	491
Additions	78	564	642
At 31 December 2015	569	564	1,133
Additions	141	–	141
At 31 December 2016	710	564	1,274
Accumulated amortisation			
At 1 January 2015	82	–	82
Amortisation for the year (Note 27)	132	73	205
At 31 December 2015	214	73	287
Amortisation for the year (Note 27)	165	141	306
At 31 December 2016	379	214	593
Net carrying amount			
At 31 December 2015	355	491	846
At 31 December 2016	331	350	681



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Investments in Subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	175,475	187,782
At 1 January	187,782	187,645
Subscription of additional shares in Tune Direct Ltd	–	800
Repayment of capital in Tune LifeRe Ltd	(11,000)	–
Impairment losses (Note 25)	(1,307)	(663)
At 31 December	175,475	187,782

The impairment loss of RM1,307,000 (2015: RM663,000) was made in respect of certain subsidiaries of the Company as the carrying values exceeded the net recoverable amounts as at the financial year-end.

All subsidiaries are incorporated in Malaysia. Details of the subsidiaries are as follows:

		% of ownership interest held by the Group		% of ownership held by non-controlling interest	
		2016	2015	2016	2015
Name of Company	Principal activities	%	%	%	%
Held by the Company:					
Tune Protect Re Ltd ("TPR")	Underwriting of general reinsurance business	100.00	100.00	–	–
Tune Insurance (Labuan) Ltd ("TIL")* (in members' voluntary liquidation)	Underwriting of offshore captive insurance business	80.00	80.00	20.00	20.00
Tune Insurance Malaysia Berhad ("TIMB")	Underwriting of general insurance business	83.26	83.26	16.74	16.74
Tune Direct Ltd ("TDL")	Investment holding	100.00	100.00	–	–
Tune LifeReLtd ("TLR") **	Underwriting of reinsurance business and management of direct marketing distribution of life insurance products as Database Manager# (dissolved on 18 October 2016)	–	100.00	–	–

6. Investments in Subsidiaries (Cont'd.)

All subsidiaries are incorporated in Malaysia. Details of subsidiaries are as follows: (Cont'd.)

		% of ownership interest held by the Group		% of ownership held by non-controlling interest	
Name of Company	Principal activities	2016 %	2015 %	2016 %	2015 %
Held through subsidiaries:					
TDL:					
Tune Direct (M) Sdn Bhd ("TDM")	Insurance intermediary for life, general and takaful business	100.00	100.00	–	–
TPR:					
Tune Insurance PCC Ltd("TIPCCCL")***	Captive insurance business (licence surrendered on 3 October 2016)	100.00	100.00	–	–
Held by the Company and its subsidiaries:					
Libra Money EXTRA Fund II##	Collective investment scheme	90.85	90.79	9.15	9.21
AmCash Institutional 9##	Collective investment scheme	89.09	87.46	10.91	12.54
Affin Hwang Income Fund I****	Collective investment scheme	83.89	83.26	16.11	16.74

This subsidiary was previously appointed to manage the direct marketing distribution of life insurance products with various insurance partners regionally as Database Manager for AirAsia Group.

Event subsequent to year end affecting these investments in subsidiaries are disclosed in Note 43.

* TIL has been placed under Members' Voluntary Winding-up on 27 December 2016. Details have been disclosed in Note 43(c).

** TLR was dissolved effective on 18 October 2016. Details have been disclosed in Note 43(a). A realised loss on dissolution of approximately RM8,000 was recognised in profit and loss, as disclosed in Note 24.

*** TIPCCCL has surrendered its Labuan captive insurance licence with effect from 3 October 2016. Details have been disclosed in Note 43(b).

**** Audited by a firm of Chartered Accountants other than Ernst & Young.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Investments in Subsidiaries (Cont'd.)

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Name of subsidiaries	Country of incorporation and operation	Proportion of equity interest interest held by non-controlling interests	
		2016 %	2015 %
Tune Insurance (Labuan) Ltd	Malaysia	20.00	20.00
Tune Insurance Malaysia Berhad	Malaysia	16.74	16.74
Collective investment schemes:			
Libra MoneyEXTRA Fund II	Malaysia	9.15	9.21
AmCash Institutional 9	Malaysia	10.91	12.54
Affin Hwang Income Fund I	Malaysia	16.11	16.74
		2016 RM'000	2015 RM'000

Accumulated balances of non-controlling interests:

Tune Insurance (Labuan) Ltd	97	515
Tune Insurance Malaysia Berhad	44,409	39,673
Collective investment schemes	206	236
	44,712	40,424

(Loss)/profit allocated to non-controlling interests:

Tune Insurance (Labuan) Ltd	(6)	(18)
Tune Insurance Malaysia Berhad	6,708	3,857
Collective investment schemes	24	187
Consolidation adjustments	(117)	(115)
	6,609	3,911

6. Investments in Subsidiaries (Cont'd.)

Material partly-owned subsidiaries (Cont'd.)

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before any eliminations between entities.

	Tune Insurance (Labuan) Ltd		Tune Insurance Malaysia Berhad		Collective investment schemes	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Summarised statements of comprehensive income:						
Operating revenue	–	–	444,409	413,361	19,363	17,386
Gross earned premiums	–	–	421,471	394,206	–	–
Premiums ceded to reinsurers	–	–	(212,670)	(214,305)	–	–
Net earned premiums	–	–	208,801	179,901	–	–
Investment income	–	–	22,938	19,155	19,363	17,386
Realised gains and losses	–	–	24	205	24	15
Fair value gains and losses	–	–	(120)	503	(256)	(118)
Fees and commission income	–	–	44,045	44,692	–	–
Other operating income	–	39	205	2,609	–	–
Other revenue	–	39	67,092	67,164	19,131	17,283
Gross claims paid	–	–	(175,395)	(161,801)	–	–
Claims ceded to reinsurers	–	–	75,035	74,256	–	–
Gross change to contract liabilities	–	–	29,802	(18,359)	–	–
Change in contract liabilities ceded to reinsurers	–	–	(36,681)	(11,930)	–	–
Net claims	–	–	(107,239)	(117,834)	–	–
Fee and commission expense	–	–	(61,465)	(57,083)	–	–
Management expenses	(26)	(130)	(58,569)	(45,298)	(1,789)	(1,745)
Other operating expenses	(5)	–	(338)	(15)	–	–
Other expenses	(31)	(130)	(120,372)	(102,396)	(1,789)	(1,745)
(Loss)/profit before taxation	(31)	(91)	48,282	26,835	17,342	15,538
Taxation	–	–	(8,210)	(3,796)	–	–
Net (loss)/profit for the year	(31)	(91)	40,072	23,039	17,342	15,538



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6. Investments in Subsidiaries (Cont'd.)

Material partly-owned subsidiaries (Cont'd.)

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before any eliminations between entities. (Cont'd.)

	Tune Insurance (Labuan) Ltd		Tune Insurance Malaysia Berhad		Collective investment schemes	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Summarised statements of comprehensive income: (cont'd.)						
Other comprehensive income/(loss):						
Gain/(loss) on fair value changes of AFS investments	-	-	501	(682)	-	-
Realised gain transferred to profit or loss	-	-	(29)	(305)	-	-
Deferred tax relating to components of other comprehensive income	-	-	(55)	396	-	-
Other comprehensive income/(loss) for the year	-	-	417	(591)	-	-
Total comprehensive (loss)/income	(31)	(91)	40,489	22,448	17,342	15,538
Attributable to non-controlling interests	(6)	(18)	6,778	3,758	(30)	133
Dividends paid to non-controlling interests	412	-	1,925	1,846	-	-

6. Investments in Subsidiaries (Cont'd.)

Material partly-owned subsidiaries (Cont'd.)

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before any eliminations between entities. (Cont'd.)

	Tune Insurance (Labuan) Ltd		Tune Insurance Malaysia Berhad		Collective investment schemes	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Summarised statements of financial position as at 31 December:						
Property and equipment	-	-	4,953	5,072	-	-
Investment property	-	-	2,411	2,433	-	-
Intangible assets	-	-	1,673	1,451	-	-
Investments	-	-	516,187	459,410	551,366	462,805
Reinsurance assets	-	-	215,056	248,126	-	-
Insurance receivables	-	-	116,588	107,317	-	-
Other receivables	500	-	102,892	112,728	1,254	2,987
Cash and bank balances	-	2,593	6,998	8,670	77	9
Deferred tax assets	-	-	2,356	291	-	-
Insurance contract liabilities	-	-	(550,069)	(564,139)	-	-
Insurance payables	-	-	(117,930)	(107,152)	-	-
Retirement benefits	-	-	(418)	(530)	-	-
Other payables	-	-	(39,041)	(41,010)	(221)	(188)
Net assets	500	2,593	261,656	232,667	552,476	465,613
Attributable to:						
Equity holders of parent	403	2,078	217,247	192,994	552,270	465,377
Non-controlling interests	97	515	44,409	39,673	206	236
	500	2,593	261,656	232,667	552,476	465,613
Summarised cash flow information for year ended 31 December:						
Operating activities	(525)	(50)	69,495	40,426	19,338	(30,850)
Investing activities	-	-	(67,175)	(26,445)	(88,794)	-
Financing activities	(2,065)	-	(11,500)	(11,001)	69,524	30,838
Net (decrease)/increase in cash and cash equivalents	(2,590)	(50)	(9,180)	2,980	68	(12)



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7. Investments in Associates

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost	40,955	40,955	40,955	40,955
Share of post-acquisition reserves	4,136	1,244	—	—
	45,091	42,199	40,955	40,955
Exchange differences	7,237	5,589	—	—
	52,328	47,788	40,955	40,955

All associates are incorporated in Thailand. Details of the associates are as follows:

		% of ownership interest held by the Group	
Name of associates	Principal activities	2016	2015
Held by the Company:			
Tune Insurance Public Company Limited ("TIPCL")	Underwriting of non-life (general) insurance	49.00	49.00
Permpoonsub Broker Company Limited ("PPS")	In-house broker of TIPCL	—	—*

* The entire shareholding in PPS was disposed on 15 December 2015. The realised loss on disposal of investment was recognised in profit or loss as disclosed in Note 24.

The financial statements of the associate as at financial year end are coterminous with those of the Group, and were audited by a firm of chartered accountants, affiliated to Ernst & Young, Malaysia.

7. Investments in Associates (Cont'd.)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	TIPCL		PPS	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Summarised statements of comprehensive income:				
Net earned premiums	30,552	34,925	–	–
Commissions and brokerages income	9,907	9,430	–	9,703
Total underwriting income	40,459	44,355	–	9,703
Underwriting expenses	(25,710)	(37,497)	–	(9,042)
Operating expenses	(7,958)	(10,933)	–	(1,503)
Total underwriting expenses	(33,668)	(48,430)	–	(10,545)
Investment income	2,092	2,263	–	–
Other income	62	84	–	823
Total other revenue	2,154	2,347	–	823
Other expenses	(2,162)	(3,775)	–	–
Profit/(loss) before taxation	6,783	(5,503)	–	(19)
Taxation	(225)	(49)	–	–
Net profit/(loss) for the year	6,558	(5,552)	–	(19)
Group share of profit/(loss) for the financial year	3,213	(2,720)	–	(9)
Impairment/amortisation of intangible assets, broker relationship of PPS	(405)	(106)	–	–
Group share of results in other comprehensive income/(loss)	84	(198)	–	–
Group share for the financial year	2,892	(3,024)	–	(9)



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7. Investments in Associates (Cont'd.)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows: (Cont'd.)

		TIPCL		PPS	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Summarised statements of financial position as at 31 December:					
Assets					
01	Property and equipment	880	572	—	—
	Intangible assets	71	63	—	—
02	Investments	75,286	66,638	—	—
	Deferred tax assets	1,424	1,595	—	—
03	Reinsurance assets	9,587	20,167	—	—
	Insurance receivables	25,752	8,889	—	—
04	Other receivables	6,258	6,434	—	—
	Cash and bank balances	14,209	23,529	—	—
05		133,467	127,887	—	—
Liabilities					
06	Insurance contract liabilities	26,292	31,064	—	—
	Insurance payables	16,813	21,763	—	—
	Other payables	14,307	9,281	—	—
	Retirement benefits	740	775	—	—
		58,152	62,883	—	—
Net assets of the associates					
	Proportion of the Group's ownership interest in associates	49%	49%	—	—
	Share of net assets of the associate	36,904	31,852	—	—
	Add: Goodwill	15,424	15,424	—	—
	Add: Intangible assets	—	512	—	—
Carrying amount of interest in associates as at 31 December					
		52,328	47,788	—	—

8. Investment in a Joint Venture Company

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	433	433	433	433
Share of post-acquisition reserves	1,419	630	–	–
	1,852	1,063	433	433
Exchange differences	249	188	–	–
	2,101	1,251	433	433

The joint venture company is incorporated in Dubai, United Arab Emirates. Other details are as follows:

Name of joint venture company	Principal activities	% of ownership interest held by the Group	
		2016	2015
Tune Protect Commercial Brokerage LLC	Facilitator of online insurance	49.00	49.00

The financial statements of the above joint venture company is coterminous with those of the Group, and were audited by a firm of chartered accountants other than Ernst & Young, Malaysia.



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8. Investment in a Joint Venture Company (Cont'd.)

The summarised financial information of the joint venture, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2016 RM'000	2015 RM'000
Summarised statement of comprehensive income:		
Fees and commission income	4,611	2,773
Management expenses	(2,123)	(1,697)
Profit before taxation	2,488	1,076
Taxation	–	–
Net profit for the year	2,488	1,076
Group share of profits for the financial year	1,219	527
Summarised statement of financial position as at 31 December:		
Assets		
Property and equipment	13	20
Trade and other receivables	4,870	1,928
Cash and bank balances	1,044	1,846
	5,927	3,794
Liabilities		
Trade payables	1,639	1,240
Net assets of the joint venture	4,288	2,554
Proportion of the Group's ownership interest in joint venture	49%	49%
Carrying amount of interest in joint venture as at 31 December	2,101	1,251

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9. Goodwill

	Group	
	2016 RM'000	2015 RM'000
At 1 January/31 December	24,165	24,165

The goodwill above arose from the acquisition of TIMB on 23 May 2012.

Goodwill is allocated to the Group's CGU which is expected to benefit from the synergies of the acquisition. The recoverable amount of the CGU is assessed based on its value-in-use and compared to the carrying value of the CGU to determine whether any impairment exists. Impairment is recognised in profit or loss if the carrying amount of the CGU exceeds its recoverable amount.

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

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

- (i) The growth in gross written premium is expected to be at an average of 11% per annum;
- (ii) The retention ratio and net claims incurred ratio are estimated to be approximately 50% and 57% per annum respectively;
- (iii) The discount rate applied is the internal weighted average cost of capital of TIMB at the time of the assessment, which is estimated to be 11.50% per annum (pre-tax discount rate of 15.13% per annum); and
- (iv) Terminal value cash flow growth rate of 4.30%, which is consistent with the Gross Domestic Product rate.

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



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10. Investments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Debt securities	124,310	119,217	–	–
Unit trust funds	74,048	23,895	–	–
Collective investment schemes	–	–	67,145	69,038
Loans	397	445	–	–
Deposits with financial institutions	494,838	444,065	–	–
	693,593	587,622	67,145	69,038

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

	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
LAR (Note (a))	495,235	444,510	–	–
AFS financial assets (Note (b))	26,742	38,394	–	–
Financial assets at FVTPL (Note (c))	171,616	104,718	67,145	69,038
	693,593	587,622	67,145	69,038

(a) LAR

	Group	
	2016 RM'000	2015 RM'000
At amortised cost:		
Fixed and call deposits with licensed financial institutions	494,838	444,065
Loans receivable:		
Staff mortgage loans	392	435
Unsecured other staff loans	5	10
	397	445
	495,235	444,510

Included in fixed and call deposits with licensed financial institutions of the Group are short term deposits with original maturity periods of less than 3 months amounting to RM38,788,000 (2015: RM46,296,000) which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

10. Investments (Cont'd.)

(a) LAR (Cont'd.)

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

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

(b) AFS financial assets

	Group	
	2016 RM'000	2015 RM'000
At fair value:		
Quoted unit trust funds in Malaysia	6,980	13,846
Unquoted debt securities in Malaysia	19,762	24,548
	26,742	38,394

(c) Financial assets at FVTPL

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At fair value:				
Unquoted debt securities in Malaysia	104,548	94,669	–	–
Quoted unit trust fund in Malaysia	67,068	10,049	–	–
Quoted collective investment schemes in Malaysia:				
Libra MoneyEXTRA Fund II	–	–	25,922	43,386
AmCash Institutional 9	–	–	41,223	25,652
	171,616	104,718	67,145	69,038



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10. Investments (Cont'd.)

(d) Carrying values of investments

	LAR RM'000	AFS financial assets RM'000	FVTPL RM'000	Total RM'000
Group				
At 1 January 2015	409,736	44,727	96,778	551,241
Purchases	2,003,888	857	56,175	2,060,920
Maturities/disposals	(1,969,114)	(5,885)	(47,700)	(2,022,699)
Fair value losses recorded in:				
Profit or loss	–	–	(375)	(375)
Other comprehensive income	–	(1,002)	–	(1,002)
Realised gain transferred to profit or loss (Note 24)	–	(305)	–	(305)
Realised loss recorded in profit or loss (Note 24)	–	–	(160)	(160)
Accretion of discounts (Note 23)	–	2	–	2
At 31 December 2015	444,510	38,394	104,718	587,622
Purchases	5,679,092	–	222,180	5,901,272
Dividend reinvestment	–	372	593	965
Maturities/disposals	(5,628,367)	(12,173)	(155,639)	(5,796,179)
Fair value gains/(losses) recorded in:				
Profit or loss	–	–	(242)	(242)
Other comprehensive income	–	176	–	176
Realised gain transferred to profit or loss (Note 24)	–	(29)	–	(29)
Realised gain recorded in profit or loss (Note 24)	–	–	6	6
Accretion of discounts (Note 23)	–	2	–	2
At 31 December 2016	495,235	26,742	171,616	693,593

10. Investments (Cont'd.)

(d) Carrying values of investments (Cont'd.)

Company	LAR RM'000	FVTPL RM'000	Total RM'000
At 1 January 2015	4,917	79,379	84,296
Purchases	–	27,500	27,500
Maturities/disposals	(4,917)	(40,500)	(45,417)
Dividend reinvestment	–	2,489	2,489
Realised gain recorded in profit or loss (Note 24)	–	1,110	1,110
Fair value loss recorded in profit or loss	–	(940)	(940)
At 31 December 2015	–	69,038	69,038
Purchases	–	47,000	47,000
Maturities/disposals	–	(51,500)	(51,500)
Dividend reinvestment	–	2,442	2,442
Realised gain recorded in profit or loss (Note 24)	–	1,956	1,956
Fair value loss recorded in profit or loss	–	(1,791)	(1,791)
At 31 December 2016	–	67,145	67,145

(e) Average effective interest rates

The average effective interest rates for each class of interest-bearing investment and placements with licenced financial institutions, at net carrying amounts are as below:

	Group	
	2016 %	2015 %
Debt securities	5.02	4.71
Loans	5.00	5.00
Deposits with financial institutions	3.70	4.28



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11. Reinsurance Assets

	Group	
	2016 RM'000	2015 RM'000
Claim liabilities (Note 16)	140,267	178,448
Premium liabilities (Note 16)	71,466	66,354
	211,733	244,802

12. Insurance Receivables

	Group	
	2016 RM'000	2015 RM'000
Due premiums including agents, brokers and co-insurers balances	90,299	83,655
Due from reinsurers and cedants	60,089	61,029
Deposits paid to reinsurers	1,321	597
	151,709	145,281
Allowance for impairment losses	(10,522)	(13,008)
	141,187	132,273

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12. Insurance Receivables (Cont'd.)

Offsetting insurance receivables and insurance payables

	Group	
	2016 RM'000	2015 RM'000
Gross amounts of recognised insurance receivables	154,086	146,023
Less: Gross amounts of recognised insurance payables offset in the statement of financial position	(2,377)	(742)
Net amounts of recognised insurance receivables, before allowance for impairment losses	151,709	145,281

Included in the amount due from reinsurers and cedants is an amount of RM4,583,000 (2015: RM3,137,000) due from a joint venture company, Tune Protect Commercial Brokerage LLC. The amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

The carrying amounts of insurance receivables above approximate their respective fair values due to the relatively short-term maturity of these balances.

The movements in allowance for impairment losses of insurance receivables are as follows:

Group	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2015	2,160	14,902	17,062
Written off	–	(942)	(942)
Allowance for/(reversal of allowance for) impairment losses (Note 27)	154	(3,266)	(3,112)
At 31 December 2015	2,314	10,694	13,008
Written off	–	(3,074)	(3,074)
Allowance for/(reversal of allowance for) impairment losses (Note 27)	945	(357)	588
At 31 December 2016	3,259	7,263	10,522

The carrying amounts of insurance receivables above approximate their respective fair values due to the relatively short-term maturity of these balances.



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For the financial year ended 31 December 2016

13. Other receivables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial assets:				
Amounts due from subsidiaries	–	–	5,038	4,987
Income due and accrued	1,813	1,947	–	–
Assets held under the Malaysian Motor Insurance Pool (“MMIP”)*	62,233	73,189	–	–
Malaysian Institute of Insurance bonds	260	260	–	–
Other receivables	27,717	25,953	699	277
	92,023	101,349	5,737	5,264
Non-financial assets:				
Prepayments	4,106	4,032	2,113	3,096
Tax recoverable	17,349	17,682	93	51
	21,455	21,714	2,206	3,147
	113,478	123,063	7,943	8,411

* As a participating member of MMIP, the Group shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Group accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Group's share of the Pool's net assets, before insurance contract liabilities. The Group's share of the Pool's insurance contract liabilities arising from its participation in the Pool is disclosed in Note 16.

The carrying amounts of financial assets included under other receivables approximate their respective fair values due to the relatively short-term maturity of these balances.

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand.

14. Share Capital and Share Premium

	Group and Company			
	Number of ordinary shares of RM0.10 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised:				
At 1 January/31 December	1,500,000	1,500,000	150,000	150,000

	Group and Company			
	Issued and fully paid			
	Number of ordinary shares of RM0.10 each '000	Amount RM'000	Share premium RM'000	Total share capital and share premium RM'000
At 31 December 2015/31 December 2016	751,760	75,176	173,343	248,519

15. Merger Deficit

	Group	
	2016 RM'000	2015 RM'000
Merger deficit	(13,838)	(13,838)

Merger deficit represents the difference between consideration given and the carrying value of ordinary shares of a subsidiary acquired.



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16. Insurance Contract Liabilities

Group	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
General insurance (Note 16(a))	550,069	(211,238)	338,831	564,139	(243,545)	320,594
General reinsurance (Note 16(b))	12,789	(495)	12,294	13,149	(1,257)	11,892
	562,858	(211,733)	351,125	577,288	(244,802)	332,486
General insurance and reinsurance liabilities comprise the following:						
Provision for claims reported by policyholders	247,274	(97,612)	149,662	284,992	(127,587)	157,405
Provision for IBNR claims and PRAD	129,423	(42,655)	86,768	120,784	(50,861)	69,923
Claim liabilities	376,697	(140,267)	236,430	405,776	(178,448)	227,328
Premium liabilities	186,161	(71,466)	114,695	171,512	(66,354)	105,158
	562,858	(211,733)	351,125	577,288	(244,802)	332,486

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16. Insurance Contract Liabilities (Cont'd.)

Group	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
(a) General insurance						
Provision for claims reported by policyholders	243,099	(97,219)	145,880	279,253	(126,520)	152,733
Provision for IBNR claims and PRAD	123,852	(42,655)	81,197	117,500	(50,861)	66,639
Claim liabilities (i)	366,951	(139,874)	227,077	396,753	(177,381)	219,372
Premium liabilities (ii)	183,118	(71,364)	111,754	167,386	(66,164)	101,222
	550,069	(211,238)	338,831	564,139	(243,545)	320,594
(i) Claim liabilities						
At 1 January	396,753	(177,381)	219,372	378,394	(190,480)	187,914
Claims incurred in the current accident year	229,818	(57,036)	172,782	256,297	(95,066)	161,231
Adjustment to claims incurred in prior accident years due to changes in assumptions	(84,225)	21,455	(62,770)	(76,137)	35,402	(40,735)
Claims paid during the year	(175,395)	73,088	(102,307)	(161,801)	72,763	(89,038)
At 31 December	366,951	(139,874)	227,077	396,753	(177,381)	219,372
(ii) Premium liabilities						
At 1 January	167,386	(66,164)	101,222	147,413	(66,080)	81,333
Premiums written in the year	437,203	(156,062)	281,141	414,179	(147,341)	266,838
Premiums earned during the year	(421,471)	150,862	(270,609)	(394,206)	147,257	(246,949)
At 31 December	183,118	(71,364)	111,754	167,386	(66,164)	101,222



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16. Insurance Contract Liabilities (Cont'd.)

Group	2016			2015		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
(b) General reinsurance						
Provision for claims reported by policyholders	4,175	(393)	3,782	5,739	(1,067)	4,672
Provision for IBNR claims and PRAD	5,571	–	5,571	3,284	–	3,284
Claim liabilities (i)	9,746	(393)	9,353	9,023	(1,067)	7,956
Premium liabilities (ii)	3,043	(102)	2,941	4,126	(190)	3,936
	12,789	(495)	12,294	13,149	(1,257)	11,892
(i) Claim liabilities						
At 1 January	9,023	(1,067)	7,956	9,866	(2,576)	7,290
Claims incurred in the current accident year	2,524	674	3,198	283	1,509	1,792
Claims paid during the year	(1,801)	–	(1,801)	(1,126)	–	(1,126)
At 31 December	9,746	(393)	9,353	9,023	(1,067)	7,956
(ii) Premium liabilities						
At 1 January	4,126	(190)	3,936	3,566	(145)	3,421
Premiums written in the year	63,791	(2,377)	61,414	59,802	(2,397)	57,405
Premiums earned during the year	(64,874)	2,465	(62,409)	(59,242)	2,352	(56,890)
At 31 December	3,043	(102)	2,941	4,126	(190)	3,936

As at 31 December 2016, the insurance contract liabilities above includes the Group's share of MMIP's claims and premium liabilities amounting to RM50,735,000 (2015: RM67,673,000) and RM4,429,000 (2015: RM7,649,000) respectively.

17. Deferred Tax (Assets)/Liabilities

	Group	
	2016 RM'000	2015 RM'000
At 1 January	1,106	620
Recognised in:		
Profit or loss (Note 29)	(2,339)	882
Other comprehensive income	55	(396)
At 31 December	(1,178)	1,106

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

	Group	
	2016 RM'000	2015 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	1,505	1,802
Deferred tax assets	(2,683)	(696)
	(1,178)	1,106

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

Group	Accelerated capital allowance on property and equipment RM'000	Premium liabilities RM'000	Investment property RM'000	Intangible assets RM'000	Total RM'000
Deferred tax liabilities					
At 1 January 2015	1,030	–	129	802	1,961
Recognised in profit or loss	31	34	(2)	(222)	(159)
At 31 December 2015	1,061	34	127	580	1,802
Recognised in profit or loss	(49)	(34)	(1)	(213)	(297)
At 31 December 2016	1,012	–	126	367	1,505



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17. Deferred Tax (Assets)/Liabilities (Cont'd.)

Group	Fair value of financial assets RM'000	Premium liabilities RM'000	Others RM'000	Total RM'000
Deferred tax assets				
At 1 January 2015	(604)	(77)	(660)	(1,341)
Recognised in:				
Profit or loss	888	77	76	1,041
Other comprehensive income	(396)	–	–	(396)
At 31 December 2015	(112)	–	(584)	(696)
Recognised in:				
Profit or loss	–	(586)	(1,456)	(2,042)
Other comprehensive income	55	–	–	55
At 31 December 2016	(57)	(586)	(2,040)	(2,683)

18. Insurance payables

	Group	
	2016 RM'000	2015 RM'000
Due to agents, brokers, co-insurers and insureds	30,205	29,406
Due to reinsurers and cedants	78,409	58,144
	108,614	87,550

The carrying amounts approximate fair value due to their relatively short-term maturities.

19. Retirement Benefits

	Group	
	2016 RM'000	2015 RM'000
At 1 January	530	792
(Write back)/provision for the year	(9)	10
	521	802
Payments during the year	(103)	(272)
At 31 December	418	530
Amount payable after 12 months	410	507

20. Other payables

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial liabilities:				
Amount due to a joint venture	1,728	3,137	–	–
Amounts due to subsidiaries	–	–	399	11,635
Claims payable	5,492	5,585	–	–
Reinsurance deposits	5,442	9,215	–	–
Others	28,473	25,102	889	–
	41,135	43,039	1,288	11,635
Non-financial liabilities:				
Provision for taxation	23	18	–	–
Accrued expenses	10,892	9,835	2,649	2,095
	10,915	9,853	2,649	2,095
Total	52,050	52,892	3,937	13,730

The carrying amounts of the financial liabilities approximate fair value due to their relatively short-term maturities.

The amounts due to a joint venture and subsidiaries are unsecured, interest free and are repayable on demand.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. Operating revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gross earned premiums (Note 22(a))	486,345	453,448	—	—
Investment income (Note 23)	30,276	26,745	45,982	28,789
	516,621	480,193	45,982	28,789

22. Net earned premiums

	Group	
	2016 RM'000	2015 RM'000
(a) Gross earned premiums		
Gross written premiums	500,994	473,981
Change in premium liabilities	(14,649)	(20,533)
	486,345	453,448
(b) Premiums ceded to reinsurers		
Gross premiums ceded to reinsurers	158,439	149,737
Change in premium liabilities	(5,112)	(129)
	153,327	149,608
Net earned premiums	333,018	303,840

23. Investment income

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income from investment property	313	363	–	–
Interest income:				
– AFS financial assets	1,205	1,210	–	–
– LAR	16,972	16,397	–	107
– FVTPL	4,617	4,104	–	–
– Bank balances	111	69	33	33
Share of investment income from MMIP	5,201	3,677	–	–
Dividend income:				
– AFS financial assets	373	804	–	–
– FVTPL	1,482	119	2,442	2,489
– Subsidiaries	–	–	43,077	26,160
– A joint venture company	–	–	430	–
	30,274	26,743	45,982	28,789
Net accretion of discounts on investments (Note 10(d))	2	2	–	–
	30,276	26,745	45,982	28,789



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. Realised gains and losses

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property and equipment:				
Realised gain/(loss) on disposal of property and equipment	13	(100)	–	–
Investment in a subsidiary:				
Realised loss on disposal of investment in a subsidiary	–	–	(8)	–
Investment in an associate:				
Realised loss on disposal of investment in an associate	–	(73)	–	(277)
AFS financial assets:				
Realised gains:				
Equity securities				
– quoted in Malaysia	29	3,065	–	–
– quoted outside Malaysia	–	15	–	–
Realised losses:				
Quoted equity securities in Malaysia	–	(2,775)	–	–
Net realised gains for AFS financial assets (Note 10(d))	29	305	–	–
FVTPL financial assets:				
Realised gains:				
Quoted equity securities in Malaysia	41	–	–	–
Quoted collective investment scheme in Malaysia	23	15	1,956	1,110
Realised losses:				
Quoted equity securities in Malaysia	(58)	–	–	–
Quoted unit trust funds in Malaysia	–	(175)	–	–
Net realised gains/(losses) for FVTPL financial assets (Note 10(d))	6	(160)	1,956	1,110
Total net realised gains/(losses)	48	(28)	1,948	833

25. Other Operating Income/(Expenses)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other operating income:				
Foreign exchange gains:				
– realised	1,572	2,276	876	653
– unrealised	2,744	1,751	309	10
Tele-marketing commission income	254	233	204	156
Management fees income (Note 34(a))	47	–	3,924	2,660
Sundry income	372	2,731	60	43
	4,989	6,991	5,373	3,522
Other operating expenses:				
Foreign exchange losses:				
– realised	(29)	(15)	–	–
– unrealised	(29)	–	–	–
Write-off of property and equipment	(312)	–	–	–
Write-off of intangible assets	–	(270)	–	–
Impairment losses on investment in subsidiaries (Note 6)	–	–	(1,307)	(663)
	(370)	(285)	(1,307)	(663)

26. Net Claims

	Group	
	2016 RM'000	2015 RM'000
Gross claims paid	(177,196)	(162,927)
Claims ceded to reinsurers	73,088	72,763
Net claims paid (a)	(104,108)	(90,164)
Gross change to contract liabilities	29,079	(17,516)
Change in contract liabilities ceded to reinsurers	(38,181)	(14,608)
Net change in contract liabilities (b)	(9,102)	(32,124)
Net claims (a) + (b)	(113,210)	(122,288)



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Management Expenses

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Employee benefits expense (Note 27(a))	51,053	42,847	10,734	6,836
Directors' remuneration (Note 27(b))	2,032	2,099	904	1,583
Auditors' remuneration:				
– statutory audits	346	343	70	60
– regulatory related services	76	69	14	10
– other services	109	174	70	124
Depreciation of property and equipment (Note 3)	2,174	1,950	417	393
Depreciation of investment property (Note 4)	28	28	–	–
Amortisation of intangible assets (Note 5)	2,379	2,068	306	205
Allowance for/(Reversal of allowance for) impairment losses on insurance receivables (Note 12)	588	(3,112)	–	–
Management fees	1,690	1,820	–	–
Marketing expenses	3,803	4,467	1,297	2,281
Rental of premises	2,386	2,240	298	202
Professional fees	5,713	2,820	349	919
Printing charges	3,313	1,922	194	138
Publicity expenses	10,755	4,375	2,711	189
Communication expenses	756	732	38	35
Computer expenses	2,732	1,449	397	222
Administration and general expenses	17,157	15,944	7,125	6,156
	107,090	82,235	24,924	19,353
(a) Employee benefits expense				
Wages and salaries	40,974	33,058	8,748	5,199
Social security contributions	274	226	20	12
Contributions to defined contribution plan	4,839	3,929	889	625
Share-based compensation (Note 28)	1,192	2,536	416	497
Other benefits	3,774	3,098	661	503
	51,053	42,847	10,734	6,836

27. Management Expenses (Cont'd.)

(b) Directors' remuneration

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company:				
<u>Executive:</u>				
Salaries and other emoluments	-	900	-	900
Defined contribution plan	-	108	-	108
	-	1,008	-	1,008
<u>Non-executive:</u>				
Fees	689	453	689	453
Allowances and other emoluments	215	122	215	122
	904	575	904	575
	904	1,583	904	1,583
Directors of the subsidiaries:				
<u>Executive:</u>				
Fees	64	39	-	-
Allowances and other emoluments	31	9	-	-
	95	48	-	-
<u>Non-executive:</u>				
Fees	720	364	-	-
Allowances and other emoluments	313	104	-	-
	1,033	468	-	-
	1,128	516	-	-
Total	2,032	2,099	904	1,583



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Management expenses (Cont'd.)

(b) Directors' remuneration (Cont'd.)

Directors of the Company:

	Fees RM'000	Allowances and other emoluments RM'000	Total RM'000
2016:			
<u>Non-executive:</u>			
Razman Hafidz Bin Abu Zarim	127	50	177
Tan Sri Dr. Anthony Francis Fernandes	78	18	96
Datuk Kamarudin Bin Meranun	148	43	191
Ng Soon Lai @ Ng Siek Chuan	204	62	266
Tan Ming-Li	132	42	174
	689	215	904
2015:			
<u>Executive:</u>			
Tan Hong Kheng	900	108	1,008
<u>Non-executive:</u>			
Razman Hafidz Bin Abu Zarim	119	34	153
Tan Sri Dr. Anthony Francis Fernandes	63	10	73
Datuk Kamarudin Bin Meranun	63	15	78
Ng Soon Lai @ Ng Siek Chuan	108	34	142
Tan Ming-Li	100	29	129
	453	122	575

27. Management Expenses (Cont'd.)

(b) Directors' remuneration (Cont'd.)

The number of directors of whose total remuneration received and receivable from the Group during the year that fall within the following bands is analysed below:

	Number of directors	
	2016	2015
Directors of the Company:		
Non-executive directors:		
RM50,001 – RM100,000	1	2
RM100,001 – RM150,000	–	2
RM150,001 – RM200,000	3	1
RM200,001 – RM250,000	–	–
RM250,001 – RM300,000	1	–
Executive directors:		
RM1,000,001 – RM1,050,000	–	1
Directors of the subsidiaries:		
Non-executive directors:		
RM0 – RM50,000	2	4
RM50,001 – RM100,000	4	3
RM100,001 – RM150,000	–	1
RM150,001 – RM200,000	3	–
RM200,001 – RM250,000	1	–
Executive directors:		
RM0 – RM50,000	1	1
RM50,001 – RM100,000	1	–



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For the financial year ended 31 December 2016

27. Management Expenses (Cont'd.)

(c) CEO's remuneration

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

	Group and Company	
	2016 RM'000	2015 RM'000
Salaries and other emoluments	1,793	1,228
Bonus	563	495
Defined contribution plan	219	205
Total remuneration (Note 34(b))	2,575	1,928

28. Employees' Share Option Scheme ("ESOS")

On 18 March 2014, the Company offered 15,715,000 ESOS shares to eligible employees of the Group. The offer period was from 18 March 2014 to 17 April 2014. The ESOS is exercisable over a period of 10 years from the grant date of 17 April 2014 at an exercise price of RM1.71 per ESOS share.

All employees are entitled to a grant of options, under the ESOS, once they are employed by and on the payroll of the Group and whose employment has been confirmed in writing, as at the date of offer. The options granted under ESOS is exercisable only by the employees during their employment with the Group and before the expiry date. The exercise price of the options is equal to the market price of the shares on the date of grant. The contractual life of the options is five years. There are no cash settlement alternatives.

The expense recognised for employee services received during the year is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Expense arising from equity-settled share-based payment transactions (Note 27(a))	1,192	2,536	416	497

28. Employees' Share Option Scheme ("ESOS") (Cont'd.)

Movements during the year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, ESOS during the year:

Tranche	Outstanding as at 1.1.2016 '000	Granted '000	Vested '000	Forfeited '000	Outstanding as at 31.12.2016 '000	Exercisable as at 31.12.2016 '000
1	2,751	250	–	(471)	2,530	2,530
2	2,751	250	–	(471)	2,530	2,530
3	2,751	250	–	(471)	2,530	–
4	2,751	250	–	(471)	2,530	–
	11,004	1,000	–	(1,884)	10,120	5,060
WAEP	1.71	1.71	1.71	1.71	1.71	1.71

Tranche	Outstanding as at 1.1.2015 '000	Granted '000	Vested '000	Forfeited '000	Outstanding as at 31.12.2015 '000	Exercisable as at 31.12.2015 '000
1	2,986	125	–	(360)	2,751	2,751
2	2,986	125	–	(360)	2,751	–
3	2,986	125	–	(360)	2,751	–
4	2,986	125	–	(360)	2,751	–
	11,944	500	–	(1,440)	11,004	2,751
WAEP	1.71	1.71	1.71	1.71	1.71	1.71



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Employees' Share Option Scheme ("ESOS") (Cont'd.)

Fair value of share options granted on 17 April 2014

The fair value of share options granted on 17 April 2014 was estimated by an external valuer using the Binomial Model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

Fair value of share options:

– Tranche 1 (RM)	0.728658
– Tranche 2 (RM)	0.774476
– Tranche 3 (RM)	0.813938
– Tranche 4 (RM)	0.848903
Dividend yield (%)	1.98% per annum
Expected volatility (%)	33.00% per annum
Risk-free interest rate (%)	3.59% per annum
Expected life of ESOS	10 years
Model used	Binomial Model

The expected life of the options was based on historical data and therefore is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

29. Taxation

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Labuan income tax:				
Current income tax	19	26	–	–
Malaysian income tax:				
Current income tax	10,799	2,809	64	62
Overprovision in prior years	(381)	(77)	–	(31)
	10,418	2,732	64	31
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	(1,626)	174	–	–
(Over)/underprovision in prior years	(713)	708	–	–
	(2,339)	882	–	–
	8,098	3,640	64	31

29. Taxation (Cont'd.)

The Labuan subsidiaries are entitled to elect to pay tax of 3% of the chargeable profits or RM20,000 based on the election under Section 7 of the Labuan Business Activity Tax Act, 1990 in respect of its chargeable profits for the period.

The income tax for the Company and other subsidiaries not domiciled in Labuan is based on the corporate tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	94,683	76,523	25,281	12,188
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	22,724	19,131	6,067	3,047
Effect of chargeable profits subject to RM20,000 tax election	(13,759)	(15,951)	–	–
Effect of change in tax rate	(12)	–	–	–
Income not subject to tax	(5,008)	(4,696)	(11,028)	(7,162)
Additional tax deduction in respect of contribution to MMIP*	–	(1,753)	–	–
Expenses not deductible for tax	5,909	5,397	5,025	4,177
Restriction on tax deductible expenses for unit trust and collective investment schemes	302	296	–	–
Permitted expenses not used and not available for future year	11	11	–	–
Non-permitted expenses for tax purposes	(8)	–	–	–
Deferred tax assets not recognised on unused tax losses	–	(3)	–	–
Share of results of associates	(674)	709	–	–
Share of results of a joint venture company	(293)	(132)	–	–
Overprovision of income tax in prior years	(381)	(77)	–	(31)
(Over)/underprovision of deferred tax in prior years	(713)	708	–	–
Tax expense for the year	8,098	3,640	64	31

* In accordance with the P.U(A) 419 Income Tax (Deduction for Contribution by Licensed Insurers to the Malaysian Motor Insurance Pool) Rules 2014, cash contributions made to MMIP via cash calls is allowed for as a deduction in the year when such cash is paid to the MMIP. The insurance subsidiary has recognised this benefit as an additional tax deduction in the prior year.



NOTES TO THE FINANCIAL STATEMENTS

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30. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holder of the Company by the number of ordinary shares in issue.

Diluted earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holder of the Company by the number of ordinary shares in issue plus the number of ordinary shares that would be issued under the Employees' Share Option Scheme.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

		Group	
		2016	2015
01	Profit attributable to ordinary equity holders (RM'000)	79,976	68,972
02	Number of ordinary shares in issues ('000)	751,760	751,760
03	Effects of dilution - Employees' Share Option Scheme ('000)	—	—
04		751,760	751,760
05	Basic and diluted earnings per share (sen)	10.64	9.17

There have been no dilutive effects in the current and prior years, as the average market share price was lower than the exercise price of options granted under the Employees' Share Option Scheme.

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

31. Dividends

		Group and Company	
		2016 RM'000	2015 RM'000
Recognised during the financial year:			
Final single tier dividend of 5 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares, declared on 3 June 2016 and paid on 1 July 2016		37,588	—
Final single tier dividend of 4.04 sen per ordinary share of RM0.10 each on 751,759,980 ordinary shares, declared on 29 April 2015 and paid on 3 July 2015		—	30,371

32. Operating Lease Arrangements

(a) The Group as lessee

The Group has entered into a lease agreement for rental of office premises.

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

Future minimum rental payments:

	Group	
	2016 RM'000	2015 RM'000
Rental of office premises:		
Payable within one year	2,473	2,146
Payable after one year	3,645	912
	6,118	3,058

(b) The Group as lessor

The Group has entered into a non-cancellable operating lease arrangement on its investment property. The lease has a remaining non-cancellable lease term of 3 years.

The future minimum lease payments receivable under a non-cancellable operating lease contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	2016 RM'000	2015 RM'000
Receivable within one year	138	880
Receivable after one year	17	284
	155	1,164

Rental income on investment property recognised in profit or loss during the relevant financial years is disclosed in Note 23.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Capital Commitments

The commitments of the Group and of the Company as at the financial year end are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure				
Approved but not contracted for:				
Property and equipment	17,177	17,784	1,633	1,280

34. Related Party Disclosures

(a) Significant related party transactions

The Group and the Company had the following significant transactions with related parties during the financial year:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income/(expense):				
Transactions with subsidiaries:				
TPR				
Dividend income	–	–	31,850	17,000
Management fee income (Note 25)	–	–	3,877	2,660
TIMB				
Dividend income	–	–	9,575	9,160
Rental of premises	–	–	(298)	(202)
TIL				
Dividend income	–	–	1,652	–
Transactions with associate:				
TIPCL				
Management fee income	47	–	47	–

34. Related Party Disclosures (Cont'd.)

(a) Significant related party transactions (Cont'd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income/(expense):				
Transactions with corporate shareholder of the Company, AirAsia Berhad:				
Fee and commission expense	(13,941)	(16,498)	–	–
Data management fee	(76)	(97)	(76)	(97)
Transactions with related companies:				
AirAsia X Berhad				
Fee and commission expense	(4,188)	(4,325)	–	–
PT Indonesia AirAsia				
Telemarketing commission expense	(14)	(19)	–	–
Fee and commission expense	(451)	(836)	–	–
Thai AirAsia Co. Ltd				
Telemarketing commission expense	(111)	(81)	–	–
Fee and commission expense	(354)	(354)	–	–
AAE Travel Pte Ltd				
Fee and commission expense	(1)	(9)	–	–
Tune Group Sdn Bhd				
Royalty fee	(11,145)	(10,546)	(7,016)	(6,245)
Tune Hotels Regional Services Sdn Bhd				
Data management fee	(3)	(3)	–	–
Rental of premise	(53)	–	(53)	–
PT CIMB Sunlife				
Telemarketing commission expense	(29)	(39)	–	–
SP&G Insurance Brokers				
Brokerage fee	(894)	(1,524)	–	–



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34. Related Party Disclosures (Cont'd.)

(a) Significant related party transactions (Cont'd.)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income/(expense):				
Transactions with related companies: (Cont'd.)				
Philippines AirAsia Inc				
Telemarketing commission expense	(87)	(113)	–	–
PT Indonesia AirAsia Extra				
Telemarketing commission expense	(188)	(35)	–	–
AirAsia Bhd and Skybus Venture Sdn Bhd				
Telemarketing commission expense	(8)	–	–	–

Details of balances with related parties at the end of the respective year are disclosed in Notes 13 and 20.

(b) Compensation of key management personnel

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive director's remuneration (Note 27(b))				
– directors of the Company	–	1,008	–	1,008
– directors of the subsidiaries	95	48	–	–
	95	1,056	–	1,008
Non-executive directors' remuneration: (Note 27(b))				
– directors of the Company	904	575	904	575
– directors of the subsidiaries	1,033	468	–	–
	1,937	1,043	904	575
CEO's remuneration (Note 27(c))	2,575	1,928	2,575	1,928
	4,607	4,027	3,479	3,511

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

35. Regulatory Capital/Working Fund and Solvency Requirements of Subsidiaries

(i) TPR

The Guidelines on Application for License - Insurance and Insurance Related Activities ("the Guidelines") were introduced as the capital adequacy, working fund and solvency requirement for all insurers licensed under the Labuan Financial Services and Securities Act 2010 ("LFSSA 2010") effective from 13 December 1997. It was imposed by the Labuan Financial Services Authority ("Labuan FSA"), pursuant to Section 109 of the LFSSA 2010 as a licensing condition for insurance companies.

TPR, as a Labuan reinsurer is required to maintain at all times, a minimum paid-up capital/net working funds of RM10.0 million each.

In addition, TPR is also each required to have minimum solvency margin of:

- (1) RM10.0 million; or
- (2) 20% of net premium income of the preceding year, whichever is greater for TPR.

As at 31 December 2016, TPR is in compliance with the Guidelines.

(ii) TIMB

The capital structure of the TIMB as at 31 December 2016, as prescribed under the RBC Framework, is provided as below:

	2016 RM'000	2015 RM'000
Eligible Tier 1 capital		
Share capital (paid-up)	100,013	100,013
Reserves, including retained earnings	159,274	130,702
	259,287	230,715
Tier 2 capital		
Eligible reserves	2,369	1,952
Amount deducted from capital	4,589	2,365
Total capital available	257,067	230,302

TIMB has met the minimum capital requirements of RM100 million stipulated under the Financial Services Act, 2013 and the minimum capital adequacy ratio of 130% as prescribed by the RBC Framework as at the reporting date.



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36. Risk Management Framework

The Board of Directors of the insurance subsidiary, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a Risk Management Committee ("RMC") of 4 independent Non-Executive Directors. The Committee is responsible for regularly identifying risks, ensuring that adequate risk management policies and procedures are in place, and monitoring compliance with policies and procedures.

The Committee has worked with the Management to develop these policies and both Management and Board have agreed to adopt these policies to govern the running of the business.

Risk appetite

The insurance subsidiary's risk appetite has been established as 3% of shareholders funds or approximately RM4 million on any one event or series of events arising from a single cause.

Overview of risk management policies

The Group and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group and the Company's business whilst managing the key risks faced by the Group and the Company.

A. Underwriting

i. Risk

Acceptance of poor insurance risks, risks with low profit margins and inadequate reinsurance arrangements contribute to low profitability and inadequate capital growth. Insurance risk is also the risk of outstanding insurance contract liabilities being greater than estimated.

ii. Policy

The following outlines the Group's policies to safeguard against these risks:

- (a) Underwrite only classes of risks which have been approved by the Board;
- (b) Accept risks within the approved classes only according to comprehensive underwriting guidelines and within limits of delegated authority;
- (c) Expand into new lines only where there is adequate experience within the Group and after management has obtained appropriate Board authority;
- (d) Price risks with sufficient margin to ensure ongoing viability of the business, and maintaining a professional approach to this function;
- (e) Retain risks according to guidelines on maximum risks to be retained;
- (f) Mitigate foreign currency risks on reinsurance by all significant reinsurance arrangements being entered into in Malaysian Ringgit;

36. Risk Management Framework (Cont'd.)

Overview of risk management policies (Cont'd.)

A. Underwriting (Cont'd.)

ii. Policy (Cont'd.)

- (g) Ensure compliance with treaty arrangements in accepting risks;
- (h) Maintain a balanced portfolio to yield a reasonable level of profits; and
- (i) Review on a regular basis the insurance contract liabilities.

B. Reinsurance

i. Risk

Reinsurance arrangement exposes the Company to residual insurance risks, legal risks, counterparty risks, liquidity risks and operational risks.

ii. Policy

The following outlines the Company's policies to safeguard against these risks:

- (a) Set retention limits in accordance to the company's risk appetite and its risk tolerance level;
- (b) Use of intermediaries such as reinsurance brokers to obtain an independent advise and to source for best pricing;
- (c) Determine the reinsurer selection process including selection criteria to ensure sufficient diversification of reinsurance sources as well as the financial position of the reinsurers; and
- (d) Review regularly the financial soundness of the reinsurers.

C. Claims

i. Risk

Exposure to unexpected or excessive losses, fraudulent claims and inadequate provisions for outstanding claims could affect the Group's profitability, financial position and reputation.

ii. Policy

The Group's policies to guard against these risks are:

- (a) Identify claims exposures and properly assess them, and routinely review them upon the receipt of further information and at least once a year;
- (b) Maintain good claims administration and settlement processes to ensure prudent claims estimation and appropriate loss adjustment;



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. Risk Management Framework (Cont'd.)

Overview of risk management policies (Cont'd.)

C. Claims (Cont'd.)

ii. Policy (Cont'd.)

- (c) Make adequate provisions for all claim liabilities, especially for long-tail liabilities and adverse foreign exchange movements on such liabilities;
- (d) Assess exposure to fraud periodically and employ measures to minimise potential losses through accepting claims outside contractual obligations for fraudulent reasons and for detecting fraudulent claims; and
- (e) Ensure that losses are mitigated and potential recovery action is followed up in a professional and timely fashion.

D. Investments

i. Risk

Investment risk is the risk of inadequate investment returns from poor investment strategies and adverse movements in the value of investments. Investment risk is derived from market risk, credit risk, investment concentration risk, liquidity risk, and asset/liability mismatch risk.

ii. Policy

Returns from the investment of premium income are an important source of income to the Group and the Company and maintenance of the market value of the investments is essential for the financial stability of the Group and the Company. The absence of prudent investment strategies and investment decision framework could result in poor investment return which would affect the Group's and the Company's profitability and competitiveness and also result in the Group and the Company not being able to meet its obligations as they fall due. It is the Group's and the Company's policy to:

- (a) Implement an investment strategy to ensure appropriate asset allocation, concentration of investments and matching of asset and liability portfolios;
- (b) Ensure that investments are held in different classes within limits specified by the Investment Committee;
- (c) Undertake a thorough analysis before making an investment to minimise market risk and continuously monitor the performance and risk of the investment;
- (d) Manage disposal of investments to optimise the returns on realisation;
- (e) Limit exposure to interest rate risk by investing in term deposits, corporate bonds and government securities on a long and short-term basis at competitive rates;

36. Risk Management Framework (Cont'd.)

Overview of risk management policies (Cont'd.)

D. Investments (Cont'd.)

ii. Policy (Cont'd.)

- (f) Ensure liquidity by maintaining sufficient cash float at any time and regularly matching the expected duration of liabilities and investments and uncertainties arising from the timing and amount of cash flows;
- (g) Minimise credit risk and investment concentration risk by investing with institutions that have a minimum rating of "B" within specific overall limits for each institution; and
- (h) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance to the Board monthly.

E. Credit quality

i. Risk

Credit quality risk is associated with credit exposure that increase the risk profile of the Company and can adversely affect the Company's viability. The risk arises mainly from default of due premiums and large exposures.

ii. Policy

Policies to limit credit risks include the following:

- (a) Maintain credit control in accordance with appropriate policies and procedures which govern the extension of credit to the cedants and specifies guidelines for setting limits on credit as per the quota share agreement;
- (b) Limit exposure to single parties or groups of related entities to 30% of the Company's capital base. However, specific Board approval is required to sanction exposures including facultative reinsurance placements which exceed 30% of the Company's capital base as well as exposure from arrangements made in exception cases;
- (c) Monitor compliance with established credit limits; and
- (d) Collect amounts due in accordance with agreed credit terms, enforce prompt collection of overdue amounts in the case of due premiums and consider the cancellation of insurance policies at the expiry of credit terms.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. Risk management framework (Cont'd.)

Overview of risk management policies (Cont'd.)

F. Operations

i. Risk

Non-financial or operational risks the Group and the Company face include technology risk, risk to reputation, fraud, compliance, legal risk, physical damage to property, poor outsourcing arrangements, threats to business continuity and key personnel risk.

ii. Policy

The policies to monitor and minimise these risks are as follows:

- (a) Undertake annual risk audits to identify material operational risks to which the Group are exposed;
- (b) Effect appropriate insurance cover for all identified operational risks which can be cost-effectively insured;
- (c) Closely monitor the external relationships;
- (d) Ensure at all times that compliance with regulatory requirements and fulfilment of material obligations under the legislative framework is maintained;
- (e) Maintain an ethics and personal conduct policy to review the affairs of the Group and the Company are conducted in a manner that would avoid any action by the Group and the Company or its officers that would bring disrepute to the Group and the Company;
- (f) Implement adequate security procedures to prevent unauthorised access, damage, loss to assets and facilities and harm to employees;
- (g) Ensure that division and responsibility is clear and mutually understood where any part of the Group's and the Company's business is outsourced to third parties whilst ultimate control over the outsourced operations is retained by the Group and the Company; and
- (h) Identify the possible types of fraud the Group and the Company is exposed to and develop and maintain effective controls to prevent them and to take appropriate and prompt action if fraud occurs.

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36. Risk Management Framework (Cont'd.)

Overview of risk management policies (Cont'd.)

G. Regulatory compliance and corporate governance

The Management is responsible to follow a systematic approach to the business and effectively manage the risks. The key risks that have been identified are monitored and their status communicated as appropriate throughout all levels of the organisation and are also incorporated in the Group's and the Company's performance management reporting.

The Group maintains a register of risks and follows a project management approach toward mitigation of risk.

The Internal Audit Department, which reports independently to the Board, undertakes a wide-ranging programme of work designed to keep the Board fully informed on the compliance of the business with agreed risk management policies, controls and procedures.

Regular reports are submitted to the Board with Key Performance Indicators covering the Group's and the Company's performance and the key risks identified.

A Compliance Department is formed to ensure regulatory compliance. The department is under the responsibility of the Head of Compliance who shall monitor compliance to regulatory requirements.

The Head of Compliance shall take responsibility to ensure regulatory compliance is adhered to and any changes to policy and practices are communicated appropriately to all parties concerned.

H. Regulations of risk management

In accordance with these policies a framework for management of risks identified has been developed for the effective management of risk.

Effective and efficient operation of the organisation would be ensured through:

- (a) Providing a framework for an organisation that enables for activities to be undertaken in a consistent and controlled manner;
- (b) A management structure that clearly identifies the roles and responsibilities of the staff;
- (c) Development of procedures to ensure that risk management strategies are implemented;
- (d) Retention of a level of well-qualified staff through appropriate recruitment, training and staff development systems and procedures;
- (e) Improving motivation of staff through a suitable communication, review, feedback and rewards system; and
- (f) Prompt and comprehensive management reporting systems to assess performance and progress of the business and the utilisation of its resources.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. Insurance Risk

The Group has in place comprehensive underwriting guidelines and limits of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of risks is protected by proportional and non-proportional treaties with reputable reinsurers and brokers, and premised on the risk appetite of the Group.

The Group underwrites treaty business on a proportional basis mainly in travel insurance business. Risks can arise from the adverse development of the loss ratio and catastrophic events. These risks vary significantly in relation to economic conditions and territories from which the risk originated.

(a) Concentration of risks

(i) General reinsurance

The premium and claim liabilities of the general reinsurance business are primarily in respect of travel insurance risks.

The following table sets out the concentration of travel insurance risks by country/regions based on the geographical location of the primary insurers or reinsurers from which the gross premium are written.

Geographical diversification	Group	
	2016 RM'000	2015 RM'000
Thailand	17,132	14,601
United Arab Emirates (UAE)	7,643	5,839
Indonesia	5,584	7,294
Singapore	5,851	6,823
Australia	4,062	3,887
Shenzhen, China	5,114	5,728
Philippines	3,803	3,695
Saudi Arabia	2,052	118
Hong Kong, China	2,015	2,084
Japan	1,407	1,721
Qatar	1,116	677
Macau, China	961	1,107
Morocco	934	902
Vietnam	820	746
Kuwait	791	526
Oman	672	100
Brunei	671	710
Cambodia	610	637
Europe	573	505
Myanmar	477	462
Jordan	270	68

37. Insurance Risk (Cont'd.)

(a) Concentration of risks (Cont'd.)

(i) General reinsurance (Cont'd.)

	Group	
	2016 RM'000	2015 RM'000
Geographical diversification (Cont'd.)		
Bahrain	260	257
Egypt	250	483
India	219	503
Laos	99	46
Turkey	93	129
Lebanon	89	75
Pakistan	83	42
Iraq	45	27
New Zealand	63	–
Georgia	24	–
Armenia	8	7
Taiwan	–	3
	63,791	59,802

(ii) General insurance

The table below shows the concentration of gross written premium by class of business:

	Group	
	2016 RM'000	2015 RM'000
Class of business diversification		
Motor	151,190	123,020
Fire	66,158	58,797
Marine, aviation and transit	62,656	57,416
Others	157,199	174,946
	437,203	414,179



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. Insurance Risk (Cont'd.)

(a) Concentration of risks (Cont'd.)

(ii) General insurance (Cont'd.)

The table below shows the concentration of premium and claim liabilities by class of business at the reporting date:

		Group		
		Gross RM'000	Re- insurance RM'000	Net RM'000
Premium liabilities				
2016				
Motor		90,076	(22,670)	67,406
Fire		24,227	(18,036)	6,191
Marine, aviation and transit		8,829	(7,004)	1,825
Others		59,986	(23,654)	36,332
		183,118	(71,364)	111,754
2015				
Motor		71,939	(17,203)	54,736
Fire		24,327	(17,247)	7,080
Marine, aviation and transit		10,727	(9,004)	1,723
Others		60,393	(22,710)	37,683
		167,386	(66,164)	101,222
Claim liabilities				
2016				
Motor		193,795	(26,831)	166,964
Fire		52,271	(37,820)	14,451
Marine, aviation and transit		39,095	(30,447)	8,648
Others		81,790	(44,776)	37,014
		366,951	(139,874)	227,077
2015				
Motor		184,679	(29,111)	155,568
Fire		66,487	(51,784)	14,703
Marine, aviation and transit		54,248	(44,137)	10,111
Others		91,339	(52,349)	38,990
		396,753	(177,381)	219,372

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37. Insurance Risk (Cont'd.)

(b) Sensitivity analysis

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. PRAD) and expense ratios in respect of claims handling and other overheads expenses.

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

Sensitivities

The general reinsurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net Liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumptions, assumptions are changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

(i) General reinsurance

		<div> <div>←</div> <div>Increase/(decrease)</div> <div>→</div> </div>			
	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
2016					
Loss ratio	+1%	492	492	(492)	(492)
	-1%	(492)	(492)	492	492
2015					
Loss ratio	+1%	467	467	(467)	(467)
	-1%	(467)	(467)	467	467



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. Insurance Risk (Cont'd.)

(b) Sensitivity analysis (Cont'd.)

(ii) General insurance

		Increase/(decrease)			
	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	* Impact on equity RM'000
2016					
Loss ratio	+10%	122,902	83,001	(83,001)	(63,081)
PRAD	+10%	2,277	1,469	(1,469)	(1,116)
Provision for expenses	+10%	946	946	(946)	(719)
2015					
Loss ratio	+10%	112,659	66,640	(66,640)	(49,980)
PRAD	+10%	2,281	1,182	(1,182)	(887)
Provision for expenses	+10%	910	910	(910)	(683)

* Impact is net of tax of 24% (2015: 25%).

(c) Claims development table

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

In setting provisions for claims, the Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

37. Insurance Risk (Cont'd.)

(c) Claims development table (Cont'd.)

(i) General reinsurance

This is the first year that the appointed actuary has relied on triangulations in their estimation of the claim liabilities given the availability of credible historical data for the projection of premium and claims. Accordingly, comparative information is not available as claim triangulations were not available in prior years.

Gross general reinsurance contract liabilities for 2016:

Accident year	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	25	1,855	4,271	7,601	3,797	8,675	
One year later	23	1,122	2,991	8,825	3,387		
Two years later	19	1,016	2,842	6,160			
Three years later	19	1,023	2,791				
Four years later	19	1,007					
Five years later	19						
Current estimate of cumulative claims incurred	19	1,007	2,791	6,160	3,387	8,675	22,039
At end of accident year	–	(597)	(1,948)	(3,063)	(2,174)	(2,680)	
One year later	(19)	(1,005)	(2,787)	(5,582)	(3,253)		
Two years later	(19)	(1,006)	(2,789)	(5,689)			
Three years later	(19)	(1,007)	(2,791)				
Four years later	(19)	(1,007)					
Five years later	(19)						
Cumulative payments to-date	(19)	(1,007)	(2,791)	(5,689)	(3,253)	(2,680)	(15,439)
Gross general reinsurance contract liabilities before elimination	–	–	–	471	134	5,995	6,600
Elimination/adjustment upon consolidation							3,146
Gross general reinsurance contract liabilities per statement of financial position (Note 16(b))							9,746



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. Insurance Risk (Cont'd.)

(c) Claims development table (Cont'd.)

(i) General reinsurance (Cont'd.)

Net general reinsurance contract liabilities for 2016:

Accident year	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	25	1,855	4,271	5,136	3,896	8,739	
One year later	23	1,122	2,991	6,217	3,389		
Two years later	19	1,016	2,842	4,062			
Three years later	19	1,023	2,791				
Four years later	19	1,007					
Five years later	19						
Current estimate of cumulative claims incurred	19	1,007	2,791	4,062	3,389	8,739	20,007
At end of accident year	–	(597)	(1,948)	(3,063)	(2,174)	(2,680)	
One year later	(19)	(1,005)	(2,787)	(4,041)	(3,253)		
Two years later	(19)	(1,006)	(2,789)	(4,050)			
Three years later	(19)	(1,007)	(2,791)				
Four years later	(19)	(1,007)					
Five years later	(19)						
Cumulative payments to-date	(19)	(1,007)	(2,791)	(4,050)	(3,253)	(2,680)	(13,800)
Net general reinsurance contract liabilities before elimination	–	–	–	12	136	6,059	6,207
Elimination/adjustment upon consolidation							3,146
Net general reinsurance contract liabilities per statement of financial position (Note 16(b))							9,353

37. Insurance Risk (Cont'd.)

(c) Claims development table (Cont'd.)

(ii) General insurance

Gross general insurance contract liabilities for 2016:

Accident year	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	174,026	170,544	164,136	243,986	211,969	246,130	256,297	229,818	
One year later	124,814	168,597	150,123	247,486	173,116	207,343	207,973		
Two years later	117,799	146,125	139,573	224,094	154,652	183,695			
Three years later	106,592	149,468	131,463	208,847	148,205				
Four years later	106,058	148,331	129,325	208,027					
Five years later	106,500	146,560	124,932						
Six years later	105,697	151,280							
Seven years later	116,692								
Current estimate of cumulative claims incurred	116,692	151,280	124,932	208,027	148,205	183,695	207,973	229,818	1,370,622
At end of accident year	(39,747)	(38,182)	(30,815)	(76,857)	(47,381)	(54,979)	(57,884)	(58,917)	
One year later	(73,127)	(95,372)	(75,244)	(132,823)	(91,862)	(120,315)	(125,894)		
Two years later	(88,940)	(110,466)	(109,790)	(167,023)	(104,766)	(144,298)			
Three years later	(100,378)	(127,828)	(116,683)	(185,774)	(112,583)				
Four years later	(103,762)	(133,744)	(118,521)	(195,914)					
Five years later	(103,869)	(137,006)	(119,536)						
Six years later	(104,010)	(141,976)							
Seven years later	(104,553)								
Cumulative payments to-date	(104,553)	(141,976)	(119,536)	(195,914)	(112,583)	(144,298)	(125,894)	(58,917)	(1,003,671)
Gross general insurance contract liabilities per statement of financial position (Note 16(a))	12,139	9,304	5,396	12,113	35,622	39,397	82,079	170,901	366,951



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. Insurance Risk (Cont'd.)

(c) Claims development table (Cont'd.)

(ii) General insurance (Cont'd.)

Net general insurance contract liabilities for 2016:

Accident year	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year	100,098	114,029	134,687	134,376	120,999	144,802	158,569	170,009	
One year later	88,388	106,956	121,263	128,136	103,629	123,661	124,410		
Two years later	87,742	98,737	108,850	114,501	96,867	107,164			
Three years later	82,173	94,709	104,165	103,145	92,564				
Four years later	80,220	93,967	103,640	102,074					
Five years later	80,445	93,366	100,454						
Six years later	80,015	92,538							
Seven years later	82,424								
Current estimate of cumulative claims incurred	82,424	92,538	100,454	102,074	92,564	107,164	124,410	170,009	871,637
At end of accident year	(36,105)	(34,592)	(28,737)	(34,057)	(35,220)	(39,627)	(37,371)	(45,175)	
One year later	(62,444)	(67,182)	(66,529)	(76,815)	(64,442)	(73,221)	(72,798)		
Two years later	(70,711)	(77,525)	(90,298)	(89,842)	(72,345)	(84,040)			
Three years later	(75,656)	(86,020)	(93,871)	(94,837)	(76,604)				
Four years later	(77,693)	(87,975)	(95,673)	(97,006)					
Five years later	(78,056)	(89,420)	(96,541)						
Six years later	(78,184)	(91,004)							
Seven years later	(78,246)								
Cumulative payments to-date	(78,246)	(91,004)	(96,541)	(97,006)	(76,604)	(84,040)	(72,798)	(45,175)	(641,414)
Net general insurance contract liabilities before elimination	4,178	1,534	3,913	5,068	15,960	23,124	51,612	124,834	230,223
Elimination/adjustment upon consolidation									(3,146)
Net general insurance contract liabilities per statement of financial position (Note 16(a))									227,077

37. Insurance Risk (Cont'd.)

(c) Claims development table (Cont'd.)

(ii) General insurance (Cont'd.)

Gross general insurance contract liabilities for 2015:

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	231,999	174,026	170,544	164,136	243,986	211,969	246,130	256,297	
One year later	251,136	124,814	168,597	150,123	247,486	173,116	207,343		
Two years later	211,179	117,799	146,125	139,573	224,094	154,652			
Three years later	206,783	106,592	149,468	131,463	208,847				
Four years later	201,353	106,058	148,331	129,325					
Five years later	199,700	106,500	146,560						
Six years later	194,854	105,697							
Seven years later	212,264								
Current estimate of cumulative claims incurred	212,264	105,697	146,560	129,325	208,847	154,652	207,343	256,297	1,420,985
At end of accident year	(43,395)	(39,747)	(38,182)	(30,815)	(76,857)	(47,381)	(54,979)	(57,884)	
One year later	(146,308)	(73,127)	(95,372)	(75,244)	(132,823)	(91,862)	(120,315)		
Two years later	(173,375)	(88,940)	(110,466)	(109,790)	(167,023)	(104,766)			
Three years later	(188,104)	(100,378)	(127,828)	(116,683)	(185,774)				
Four years later	(193,255)	(103,762)	(133,744)	(118,521)					
Five years later	(194,800)	(103,869)	(137,006)						
Six years later	(194,271)	(104,010)							
Seven years later	(195,956)								
Cumulative payments to-date	(195,956)	(104,010)	(137,006)	(118,521)	(185,774)	(104,766)	(120,315)	(57,884)	(1,024,232)
Gross general insurance contract liabilities per statement of financial position (Note 16(a))	16,308	1,687	9,554	10,804	23,073	49,886	87,028	198,413	396,753



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For the financial year ended 31 December 2016

37. Insurance Risk (Cont'd.)

(c) Claims development table (Cont'd.)

(ii) General insurance (Cont'd.)

Net general insurance contract liabilities for 2015:

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	102,392	100,098	114,029	134,687	134,376	120,999	144,802	158,569	
One year later	96,959	88,388	106,956	121,263	128,136	103,629	123,661		
Two years later	89,334	87,742	98,737	108,850	114,501	96,867			
Three years later	85,705	82,173	94,709	104,165	103,145				
Four years later	83,684	80,220	93,967	103,640					
Five years later	82,969	80,445	93,366						
Six years later	80,184	80,015							
Seven years later	85,243								
Current estimate of cumulative claims incurred	85,243	80,015	93,366	103,640	103,145	96,867	123,661	158,569	844,506
At end of accident year	(34,131)	(36,105)	(34,592)	(28,737)	(34,057)	(35,220)	(39,627)	(37,371)	
One year later	(63,502)	(62,444)	(67,182)	(66,529)	(76,815)	(64,442)	(73,221)		
Two years later	(71,614)	(70,711)	(77,525)	(90,298)	(89,842)	(72,345)			
Three years later	(75,894)	(75,656)	(86,020)	(93,871)	(94,837)				
Four years later	(78,497)	(77,693)	(87,975)	(95,673)					
Five years later	(79,452)	(78,056)	(89,420)						
Six years later	(79,804)	(78,184)							
Seven years later	(80,111)								
Cumulative payments to-date	(80,111)	(78,184)	(89,420)	(95,673)	(94,837)	(72,345)	(73,221)	(37,371)	(621,162)
Net general insurance contract liabilities before elimination	5,132	1,831	3,946	7,967	8,308	24,522	50,440	121,198	223,344
Elimination/adjustment upon consolidation									(3,972)
Net general insurance contract liabilities per statement of financial position (Note 16(a))									219,372

38. Financial Instruments and Insurance Assets and Liabilities

The following tables summarise the financial instruments of the Group and of the Company other than cash and bank balances.

Group	LAR RM'000	AFS RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Assets					
2016					
Investments	495,235	26,742	171,616	–	693,593
Reinsurance assets	–	–	–	211,733	211,733
Insurance receivables	141,187	–	–	–	141,187
Other receivables	92,023	–	–	–	92,023
Total assets	728,445	26,742	171,616	211,733	1,138,536
2015					
Investments	444,510	38,394	104,718	–	587,622
Reinsurance assets	–	–	–	244,802	244,802
Insurance receivables	132,273	–	–	–	132,273
Other receivables	101,349	–	–	–	101,349
Total assets	678,132	38,394	104,718	244,802	1,066,046



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

38. Financial Instruments and Insurance Assets and Liabilities (Cont'd.)

The following tables summarise the financial instruments of the Group and of the Company other than cash and bank balances. (Cont'd.)

Group	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
2016			
Insurance contract liabilities	–	562,858	562,858
Insurance payables	108,614	–	108,614
Retirement benefits	418	–	418
Other payables	41,135	–	41,135
Total liabilities	150,167	562,858	713,025
2015			
Insurance contract liabilities	–	577,288	577,288
Insurance payables	87,550	–	87,550
Retirement benefits	530	–	530
Other payables	43,039	–	43,039
Total liabilities	131,119	577,288	708,407

38. Financial Instruments and Insurance Assets and Liabilities (Cont'd.)

The following tables summarise the financial instruments of the Group and of the Company other than cash and bank balances. (Cont'd.)

Company	LAR RM'000	FVTPL RM'000	Total RM'000
Assets			
2016			
Investments	–	67,145	67,145
Other receivables	5,737	–	5,737
	5,737	67,145	72,882
2015			
Investments	–	69,038	69,038
Other receivables	5,264	–	5,264
	5,264	69,038	74,302
			Other financial liabilities RM'000
Company			
Liabilities			
2016			
Other payables			1,288
2015			
Other payables			11,635



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For the financial year ended 31 December 2016

39. Financial Risks

(a) Credit risk

The Group has established counterparty and credit management policy that governs the credit selection and review process, as well as the insurance and reinsurance receivables collection and impairment assessment processes. These processes are regularly being reviewed and monitored by the Risk Management Committee of the insurance subsidiary. For reinsurance transactions, the Group will give due consideration to retrocessionaires with rating of A- and above, by either A.M. Best or Standard & Poor's.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the statement of financial position, although in the case of reinsurance receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each retrocessionaire at any time is also dependent on the claims recoverable from such retrocessionaires at that point in time.

Credit exposure

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial and reinsurance assets recognised in the statements of financial position as shown in the table below:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
LAR:				
Fixed and call deposits with licenced financial institutions	494,838	444,065	—	—
Loans receivable:				
Staff mortgage loans	392	435	—	—
Unsecured other staff loans	5	10	—	—
AFS financial assets:				
Debt securities	19,762	24,548	—	—
FVTPL financial assets:				
Debt securities	104,548	94,669	—	—
Reinsurance assets	140,267	178,448	—	—
Insurance receivables	141,187	132,273	—	—
Other receivables	92,023	101,349	5,737	5,264
Cash and bank balances	9,713	33,293	895	7,190
	1,002,735	1,009,090	6,632	12,454

39. Financial Risks (Cont'd.)

(a) Credit risk (Cont'd.)

Credit exposure by credit rating

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

Group	Neither past-due nor impaired					Past-due but not impaired	Total
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000		
2016							
LAR:							
Fixed and call deposits with licenced financial institutions	237,958	242,980	287	–	13,613	–	494,838
Loans receivable:							
Staff mortgage loans	–	–	–	–	392	–	392
Unsecured other staff loans	–	–	–	–	5	–	5
AFS financial assets:							
Debt securities	–	–	19,762	–	–	–	19,762
FVTPL financial assets:							
Debt securities	20,289	84,259	–	–	–	–	104,548
Reinsurance assets	–	16,132	69,097	206	54,832	–	140,267
Insurance receivables	–	2,037	2,819	390	37,773	98,168	141,187
Other receivables	6	154	394	–	91,469	–	92,023
Cash and bank balances	7,558	1,287	801	–	67	–	9,713
	265,811	346,849	93,160	596	198,151	98,168	1,002,735



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

39. Financial Risks (Cont'd.)

(a) Credit risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the credit ratings of counterparties. (Cont'd.)

Group (Cont'd.)	Neither past-due nor impaired					Past-due but not impaired	Total
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000		
2015							
LAR:							
Fixed and call deposits with licenced financial institutions	215,863	201,759	6,144	–	20,299	–	444,065
Loans receivable:							
Staff mortgage loans	–	–	–	–	435	–	435
Unsecured other staff loans	–	–	–	–	10	–	10
AFS financial assets:							
Debt securities	–	24,548	–	–	–	–	24,548
FVTPL financial assets:							
Debt securities	15,236	76,339	1,021	–	2,073	–	94,669
Reinsurance assets	–	27,552	117,868	1,682	31,346	–	178,448
Insurance receivables	–	6,268	15,134	2,531	24,060	84,280	132,273
Other receivables	43	251	116	–	100,939	–	101,349
Cash and bank balances	31,262	1,202	771	–	58	–	33,293
	262,404	337,919	141,054	4,213	179,220	84,280	1,009,090

39. Financial Risks (Cont'd.)

(a) Credit risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the Group's credit ratings of counterparties. (Cont'd.)

Company	Neither past-due nor impaired		
	AAA RM'000	Not rated RM'000	Total RM'000
2016			
Other receivables	–	5,737	5,737
Cash and bank balances	895	–	895
	895	5,737	6,632
2015			
Other receivables	–	5,264	5,264
Cash and bank balances	7,190	–	7,190
	7,190	5,264	12,454



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

39. Financial Risks (Cont'd.)

(a) Credit risk (Cont'd.)

Age analysis of financial assets past-due but not impaired

Group	Past due but not impaired					Total RM'000
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	More than 180 days RM'000	
2016						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	11,886	11,935	6,726	16,484	23,055	70,086
Due from reinsurers and cedants	6,813	1,107	546	11,974	7,642	28,082
	18,699	13,042	7,272	28,458	30,697	98,168
2015						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	20,633	6,965	6,132	14,972	11,451	60,153
Due from reinsurers and cedants	7,102	499	2,471	5,053	9,002	24,127
	27,735	7,464	8,603	20,025	20,453	84,280

(b) Liquidity risk

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

39. Financial Risks (Cont'd.)

(b) Liquidity risk (Cont'd.)

Maturity profiles

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

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows of recognised insurance liabilities. Unearned premiums and reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

Group	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2016						
LAR:						
Fixed and call deposits with licenced financial institutions	494,838	495,828	–	–	–	495,828
Loans receivable:						
Staff mortgage loans	392	–	202	190	–	392
Unsecured other staff loans	5	5	–	–	–	5
AFS financial assets:						
Unit trust funds	6,980	–	–	–	6,980	6,980
Debt securities	19,762	10,554	11,070	–	–	21,624
FVTPL:						
Unit trust funds	67,068	30,009	–	–	37,059	67,068
Debt securities	104,548	13,680	92,439	10,465	–	116,584
Reinsurance assets	140,267	49,606	74,930	15,731	–	140,267
Insurance receivables	141,187	137,950	3,237	–	–	141,187
Other receivables	92,023	92,023	–	–	–	92,023
Cash and bank balances	9,713	9,713	–	–	–	9,713
Total financial and insurance assets	1,076,783	839,368	181,878	26,386	44,039	1,091,671
Insurance contract liabilities	376,697	180,647	174,607	21,443	–	376,697
Insurance payables	108,614	108,614	–	–	–	108,614
Retirement benefits	418	418	–	–	–	418
Other payables	41,135	41,135	–	–	–	41,135
Total financial and insurance liabilities	526,864	330,814	174,607	21,443	–	526,864
Liquidity surplus	549,919	508,554	7,271	4,943	44,039	564,807



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39. Financial Risks (Cont'd.)

(b) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

Group (Cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2015						
LAR:						
Fixed and call deposits with licenced financial institutions	444,065	444,065	–	–	–	444,065
Loans receivable:						
Staff mortgage loans	435	3	124	308	–	435
Unsecured other staff loan	10	10	–	–	–	10
AFS financial assets:						
Unit trust funds	13,846	–	–	–	13,846	13,846
Debt securities	24,548	5,817	21,840	–	–	27,657
FVTPL:						
Unit trust funds	10,049	–	–	–	10,049	10,049
Debt securities	94,669	33,359	50,638	10,672	–	94,669
Reinsurance assets	178,448	82,254	85,162	11,032	–	178,448
Insurance receivables	132,273	127,765	4,508	–	–	132,273
Other receivables	101,349	101,349	–	–	–	101,349
Cash and bank balances	33,293	33,293	–	–	–	33,293
Total financial and insurance assets	1,032,985	827,915	162,272	22,012	23,895	1,036,094
Insurance contract liabilities	405,776	207,436	180,345	17,995	–	405,776
Insurance payables	87,550	87,550	–	–	–	87,550
Retirement benefits	530	530	–	–	–	530
Other payables	43,039	42,262	777	–	–	43,039
Total financial and insurance liabilities	536,895	337,778	181,122	17,995	–	536,895
Liquidity surplus/(gap)	496,090	490,137	(18,850)	4,017	23,895	499,199

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39. Financial Risks (Cont'd.)

(b) Liquidity risk (Cont'd.)

Maturity profiles (Cont'd.)

Company	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2016						
FVTPL:						
Collective investment schemes	67,145	–	–	–	67,145	67,145
Other receivables	5,737	5,737	–	–	–	5,737
Cash and bank balances	895	895	–	–	–	895
Total financial assets	73,777	6,632	–	–	67,145	73,777
Other payables, representing total financial liabilities	1,288	1,288	–	–	–	1,288
Liquidity surplus	72,489	5,344	–	–	67,145	72,489
2015						
FVTPL:						
Collective investment schemes	69,038	–	–	–	69,038	69,038
Other receivables	5,264	5,264	–	–	–	5,264
Cash and bank balances	7,190	7,190	–	–	–	7,190
Total financial assets	81,492	12,454	–	–	69,038	81,492
Other payables, representing total financial liabilities	11,635	11,635	–	–	–	11,635
Liquidity surplus	69,857	819	–	–	69,038	69,857



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39. Financial Risks (Cont'd.)

(c) Market risk

Market risk arises with changes in unit trust funds, collective investment schemes and bond prices. This risk is mitigated through regular review on the performance of unit trust funds and collective investment schemes, proper initial and continuous credit evaluation of bonds, purchase of high grade shares and bonds, and constant watch on the investment portfolio for adverse changes and opportunities.

Fund managers' performance are monitored constantly and parameters are prescribed to fund managers according to the Group's risk appetite on investments in unit trust funds, collective investment schemes and bonds, by placing limits on categories of purchase.

Price risk

Management's best estimate of the effect on the net profit for the year and equity due to a reasonably possible change in the Net Asset Value ("NAV") with all other variables held constant is indicated in the table below:

	Change in NAV %	Group Increase/(decrease)		Company Increase/(decrease)	
		* Effect on net profit for the year RM'000	* Effect on equity RM'000	* Effect on net profit for the year RM'000	* Effect on equity RM'000
2016					
Market indices:					
NAV	+10	5,097	5,628	5,103	5,103
NAV	-10	(5,097)	(5,628)	(5,103)	(5,103)
2015					
Market indices:					
NAV	+10	754	1,792	5,178	5,178
NAV	-10	(754)	(1,792)	(5,178)	(5,178)

* Impact is net of tax of 24% (2015: 25%)

39. Financial Risks (Cont'd.)

(c) Market risk (Cont'd.)

Interest rate risk

The Group's exposure to interest rate risk arises primarily from investments in interest-bearing investments classified as available-for-sale and FVTPL. The interest and capital value of the latter may be affected by changes in the interest yield curve. The Group has an investment policy that investments are made at competitive interest rates.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Sensitivity analysis:

		Group Increase/(decrease)	
	Change in basis points	* Effect on net profit for the year RM'000	* Effect on equity RM'000
2016			
Interest-bearing investments:			
Available-for-sale	+ 100 bps	–	(166)
Available-for-sale	– 100 bps	–	209
FVTPL	+ 100 bps	(1,955)	(1,955)
FVTPL	– 100 bps	1,990	1,990
2015			
Interest-bearing investments:			
Available-for-sale	+ 100 bps	–	(320)
Available-for-sale	– 100 bps	–	(376)
FVTPL	+ 100 bps	(1,744)	(1,744)
FVTPL	– 100 bps	1,927	1,927

* Impact is net of tax of 24% (2015: 25%)



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39. Financial Risks (Cont'd.)

(c) Market risk (Cont'd.)

Foreign currency risk

The Group and the Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Group's and the Company's exposure to foreign currency is as follows:

		Group	
		2016 RM'000	2015 RM'000
01 02 03 04 05 06	Insurance receivables:		
	Thai Baht	5,422	3,005
	Indonesian Rupiah	1,996	3,664
	Singapore Dollar	1,076	2,872
	Hong Kong Dollar	888	794
	United States Dollar	4,320	3,432
	Philippines Peso	931	1,696
	China Yuan Renminbi	3,327	3,715
	Australia Dollar	2,002	1,571
	Other currencies	1,496	2,130
		21,458	22,879
Cash and bank balances:			
United States Dollar		342	18,163
Indonesian Rupiah		33	31
		375	18,194
Insurance contract liabilities:			
United States Dollar		(724)	(290)
Thai Baht		(277)	(162)
Singapore Dollar		–	(157)
Other currencies		(38)	(9)
		(1,039)	(618)
Insurance payables:			
China Yuan Renminbi		(342)	(926)
Singapore Dollar		–	(305)
Hong Kong Dollar		(260)	(139)
United States Dollar		(74)	(21)
Other currencies		(77)	(39)
		(753)	(1,430)

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39. Financial Risks (Cont'd.)

(c) Market risk (Cont'd.)

Foreign currency risk (Cont'd.)

	Company	
	2016 RM'000	2015 RM'000
Cash and bank balances:		
United States Dollar	53	5,970
Indonesian Rupiah	33	31
	86	6,001

Sensitivity analysis:

A 5% strengthening/weakening of the Ringgit Malaysia against the foreign currencies as at the end of 31 December 2016 would have decreased/increased net profit by approximately RM1,002,000 (2015: RM1,951,000). This assumes that all other variables remain constant.

40. Fair Value Measurement

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data



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40. Fair Value Measurement (Cont'd.)

The following table provides an analysis of assets measured and/or disclosed at fair value on a recurring basis in accordance with the fair value hierarchy:

Group	Date of valuation	Valuation technique using			Total RM'000
		Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un- observable inputs (Level 3) RM'000	
Assets measured at fair value:					
2016					
AFS financial assets:					
Unquoted debt securities in Malaysia	31 December 2016	–	19,762	–	19,762
Quoted unit trust funds in Malaysia	31 December 2016	6,980	–	–	6,980
		6,980	19,762	–	26,742
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2016	–	104,548	–	104,548
Quoted unit trust funds in Malaysia	31 December 2016	67,068	–	–	67,068
		67,068	104,548	–	171,616
2015					
AFS financial assets:					
Unquoted debt securities in Malaysia	31 December 2015	–	24,548	–	24,548
Quoted unit trust funds in Malaysia	31 December 2015	13,846	–	–	13,846
		13,846	24,548	–	38,394
Financial assets at FVTPL:					
Unquoted debt securities in Malaysia	31 December 2015	–	94,669	–	94,669
Quoted unit trust funds in Malaysia	31 December 2015	10,049	–	–	10,049
		10,049	94,669	–	104,718

40. Fair Value Measurement (Cont'd.)

The following table provides an analysis of assets measured and/or disclosed at fair value on a recurring basis in accordance with the fair value hierarchy: (Cont'd.)

Group	Date of valuation	Valuation technique using			Total RM'000
		Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un- observable inputs (Level 3) RM'000	
Assets for which fair values are disclosed:					
2016					
Investment property	31 December 2016	–	–	2,850	2,850
2015					
Investment property	31 December 2015	–	–	2,850	2,850
Company					
Assets measured at fair value:					
2016					
Financial assets at FVTPL:					
Quoted collective investment schemes in Malaysia	31 December 2016	–	67,145	–	67,145
2015					
Financial assets at FVTPL:					
Quoted collective investment schemes in Malaysia	31 December 2015	–	69,038	–	69,038



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For the financial year ended 31 December 2016

41. Segmental Information

The Group is organised into five major business segments, investment holding and others, funds managed through collective investment schemes, general reinsurance, life reinsurance and general insurance business. The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business based on negotiated and mutual terms.

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
For the year ended 31 December 2016						
Operating revenue						
External	35	19,363	64,952	432,271	–	516,621
Inter-segment	45,949	–	64,107	12,138	(122,194)	–
	45,984	19,363	129,059	444,409	(122,194)	516,621
Results						
Gross earned premiums	–	–	126,682	421,471	(61,808)	486,345
Premiums ceded to reinsurers	–	–	(2,465)	(212,670)	61,808	(153,327)
Net earned premiums	–	–	124,217	208,801	–	333,018
Investment income	45,984	19,363	2,377	22,938	(60,386)	30,276
Realised gains and losses	1,948	24	924	24	(2,872)	48
Fair value gains and losses	(1,791)	(256)	(800)	(120)	2,725	(242)
Fees and commission income	–	–	–	44,045	(15,079)	28,966
Other operating income	5,423	–	3,238	205	(3,877)	4,989
Other revenue	51,564	19,131	5,739	67,092	(79,489)	64,037

41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
For the year ended						
31 December 2016 (Cont'd.)						
Results (Cont'd.)						
Gross claims paid	–	–	(3,748)	(175,395)	1,947	(177,196)
Claims ceded to reinsurers	–	–	–	75,035	(1,947)	73,088
Gross changes to contract liabilities	–	–	(1,549)	29,802	826	29,079
Change in contract liabilities ceded to reinsurers	–	–	(674)	(36,681)	(826)	(38,181)
Net claims	–	–	(5,971)	(107,239)	–	(113,210)
Fee and commission expense	–	–	(39,343)	(61,465)	15,079	(85,729)
Management expenses	(25,019)	(1,790)	(24,688)	(58,569)	2,976	(107,090)
Other operating expenses	(1,335)	–	(120)	(338)	1,423	(370)
Other expenses	(26,354)	(1,790)	(64,151)	(120,372)	19,478	(193,189)
Share of results of associates	–	–	–	–	2,808	2,808
Share of results of a joint venture company	–	–	–	–	1,219	1,219
Profit before taxation	25,210	17,341	59,834	48,282	(55,984)	94,683
Taxation	(71)	–	(37)	(8,210)	220	(8,098)
Net profit for the year	25,139	17,341	59,797	40,072	(55,764)	86,585



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41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
For the year ended 31 December 2015							
Operating revenue							
External	142	17,386	59,420	8	403,237	–	480,193
Inter-segment	28,649	–	68,360	244	10,124	(107,377)	–
	28,791	17,386	127,780	252	413,361	(107,377)	480,193
Results							
Gross earned premiums	–	–	126,291	–	394,206	(67,049)	453,448
Premiums ceded to reinsurers	–	–	(2,352)	–	(214,305)	67,049	(149,608)
Net earned premiums	–	–	123,939	–	179,901	–	303,840
Investment income	28,791	17,386	1,489	252	19,155	(40,328)	26,745
Realised gains and losses	833	15	(190)	27	205	(918)	(28)
Fair value gains and losses	(940)	(118)	105	–	503	75	(375)
Fees and commission income	–	–	–	–	44,692	(17,403)	27,289
Other operating income	3,554	–	3,443	45	2,609	(2,660)	6,991
Other revenue	32,238	17,283	4,847	324	67,164	(61,234)	60,622

41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
For the year ended 31 December 2015 (Cont'd.)							
Results (Cont'd.)							
Gross claims paid	–	–	(2,619)	–	(161,801)	1,493	(162,927)
Claims ceded to reinsurers	–	–	–	–	74,256	(1,493)	72,763
Gross changes to contract liabilities	–	–	(326)	–	(18,359)	1,169	(17,516)
Change in contract liabilities ceded to reinsurers	–	–	(1,509)	–	(11,930)	(1,169)	(14,608)
Net claims	–	–	(4,454)	–	(117,834)	–	(122,288)
Fee and commission expense	–	–	(41,143)	–	(57,083)	17,403	(80,823)
Management expenses	(19,500)	(1,744)	(17,281)	(153)	(45,298)	1,741	(82,235)
Other operating expenses	(947)	–	–	(24)	(15)	701	(285)
Other expenses	(20,447)	(1,744)	(58,424)	(177)	(102,396)	19,845	(163,343)
Share of results of associates	–	–	–	–	–	(2,835)	(2,835)
Share of results of a joint venture company	–	–	–	–	–	527	527
Profit before taxation	11,791	15,539	65,908	147	26,835	(43,697)	76,523
Taxation	(31)	–	(36)	(7)	(3,796)	230	(3,640)
Net profit for the year	11,760	15,539	65,872	140	23,039	(43,467)	72,883



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
As at 31 December 2016							
Assets							
Property and equipment	1,077	–	76	–	4,953	2,791	8,897
Investment property	–	–	–	–	2,411	515	2,926
Intangible assets	681	–	113	–	1,673	1,531	3,998
Investment in subsidiaries	175,558	–	641	–	–	(176,199)	–
Investments in associates	40,955	–	–	–	–	11,373	52,328
Investment in a joint venture company	433	–	–	–	–	1,668	2,101
Goodwill	–	–	–	–	–	24,165	24,165
Investments	67,145	551,367	111,396	–	516,187	(552,502)	693,593
Deferred tax assets	–	–	–	–	2,683	–	2,683
Reinsurance assets	–	–	495	–	215,056	(3,818)	211,733
Insurance receivables	–	–	34,741	–	116,588	(10,142)	141,187
Other receivables	7,943	1,254	3,387	–	102,893	(1,999)	113,478
Cash and bank balances	1,234	77	1,404	–	6,998	–	9,713
Total assets	295,026	552,698	152,253	–	969,442	(702,617)	1,266,802

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41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
As at 31 December 2016 (Cont'd.)							
Equity							
Share capital	76,126	548,014	11,229	–	100,013	(660,206)	75,176
Share premium	173,343	–	–	–	3,335	(3,335)	173,343
Merger deficit	–	–	–	–	–	(13,838)	(13,838)
Available-for-sale reserves	–	–	–	–	2,369	(7,178)	(4,809)
Employee share option reserves	5,897	–	–	–	–	–	5,897
Foreign currency translation reserve	–	–	–	–	–	7,486	7,486
Retained earnings	35,548	4,464	112,919	–	155,939	(55,480)	253,390
Equity attributable to owners of the parent	290,914	552,478	124,148	–	261,656	(732,551)	496,645
Non-controlling interests	–	–	–	–	–	44,712	44,712
Total equity	290,914	552,478	124,148	–	261,656	(687,839)	541,357
Liabilities							
Insurance contract liabilities	–	–	16,606	–	550,069	(3,817)	562,858
Deferred tax liabilities	–	–	–	–	328	1,177	1,505
Insurance payables	–	–	826	–	117,930	(10,142)	108,614
Retirement benefits	–	–	–	–	418	–	418
Other payables	4,131	220	10,673	–	39,042	(2,016)	52,050
Total liabilities	4,131	220	28,105	–	707,787	(14,798)	725,445
Total equity and liabilities	295,045	552,698	152,253	–	969,443	(702,637)	1,266,802



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
As at 31 December 2015							
Assets							
Property and equipment	921	–	81	–	5,072	2,817	8,891
Investment property	–	–	–	–	2,433	521	2,954
Intangible assets	846	–	168	–	1,451	2,419	4,884
Investment in subsidiaries	187,893	–	729	–	–	(188,622)	–
Investments in associates	40,955	–	–	–	–	6,833	47,788
Investment in a joint venture company	433	–	–	–	–	818	1,251
Goodwill	–	–	–	–	–	24,165	24,165
Investments	69,038	462,805	61,988	–	459,410	(465,619)	587,622
Deferred tax assets	–	–	–	–	696	–	696
Reinsurance assets	–	–	1,257	–	248,126	(4,581)	244,802
Insurance receivables	–	–	46,547	–	107,317	(21,591)	132,273
Other receivables	8,415	2,987	731	10,991	112,728	(12,789)	123,063
Cash and bank balances	7,631	9	16,983	–	8,670	–	33,293
Total assets	316,132	465,801	128,484	10,991	945,903	(655,629)	1,211,682

41. Segmental Information (Cont'd.)

	Investment holding and others RM'000	Collective investment schemes RM'000	General reinsurance business RM'000	Life reinsurance business RM'000	General insurance business RM'000	Adjust- ments and elimination RM'000	Consolidated RM'000
As at 31 December 2015 (Cont'd.)							
Equity							
Share capital	76,126	461,612	11,229	11,000	100,013	(584,804)	75,176
Share premium	173,343	–	–	–	3,335	(3,335)	173,343
Merger deficit	–	–	–	–	–	(13,838)	(13,838)
Available-for-sale reserves	–	–	–	–	1,952	(6,921)	(4,969)
Employee share option reserves	4,705	–	–	–	–	–	4,705
Foreign currency translation reserve	–	–	–	–	–	5,777	5,777
Retained earnings	47,997	4,001	87,018	(9)	127,367	(55,372)	211,002
Equity attributable to owners of the parent	302,171	465,613	98,247	10,991	232,667	(658,493)	451,196
Non-controlling interests	–	–	–	–	–	40,424	40,424
Total equity	302,171	465,613	98,247	10,991	232,667	(618,069)	491,620
Liabilities							
Insurance contract liabilities	–	–	17,730	–	564,139	(4,581)	577,288
Deferred tax liabilities	–	–	–	–	405	1,397	1,802
Insurance payables	–	–	1,989	–	107,152	(21,591)	87,550
Retirement benefits	–	–	–	–	530	–	530
Other payables	13,961	188	10,518	–	41,010	(12,785)	52,892
Total liabilities	13,961	188	30,237	–	713,236	(37,560)	720,062
Total equity and liabilities	316,132	465,801	128,484	10,991	945,903	(655,629)	1,211,682



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

42. Capital Management

The Group's capital management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years 31 December 2016 and 2015.

The Company is not subject to any externally imposed capital requirements.

The Labuan subsidiaries are required to comply with the capital requirements stipulated under the Guidelines on application for License - Insurance and Insurance Related Activities ("the Guideline"), as issued by the Labuan Financial Services Authority. Similarly, TIMB is required to meet the minimum capital adequacy requirements as prescribed by the RBC Framework. The status of compliance of the subsidiaries with the Guideline and RBC Framework above are disclosed in Note 35.

43. Significant and Subsequent Events

Significant events

(a) Member's voluntary winding-up of a wholly owned subsidiary, Tune LifeRe Ltd ("TLR")

On 20 July 2016, TLR had received confirmation from the liquidator, Mr. Tan Chin Fah of Messrs KBCF Tan, that the winding-up of TLR had been completed and that TLR had been dissolved effective on 18 October 2016.

As a result of the dissolution of TLR, the Company recognised a loss of RM8,000 and capital repayment of RM11,000,000 was made by TLR to the Company.

(b) Surrender of Labuan captive insurance licence by a wholly owned subsidiary, Tune Insurance PCC Ltd ("TIPCCL")

On 26 August 2016, pursuant to its notification dated 19 July 2016, the Company's wholly owned subsidiary, TIPCCL, received a letter from the Labuan Financial Services Authority ("LFSA") that, pursuant to Section 169(3) of the Labuan Financial Services and Securities Act 2010, the LFSA has no objection for TIPCCL to surrender its Labuan captive insurance licence bearing certificate number IS2015153 effective from 3 October 2016 and to comply with the requirements as imposed by the LFSA.

As at the authorisation date of the financial statements, TIPCCL is in the process of appointing liquidator for member's voluntary winding-up, which is expected to be completed during the financial year ending 31 December 2017.

43. Significant and Subsequent Events (Cont'd.)

Significant events (Cont'd.)

(c) Members' voluntary winding-up of a subsidiary, Tune Insurance (Labuan) Ltd ("TIL")

TIL surrendered its Labuan captive insurer's licence with effect from 23 September 2015. On 30 December 2016, the Board of Directors of the Company resolved to and subsequently announced that TIL had been placed under Members' Voluntary Winding-up on 27 December 2016, pursuant to the provisions of Section 13(1) of the Labuan Companies Act, 1990 applying Section 254(1)(b) of the Companies Act, 1965.

Mr. Yap Wai Beng of Messrs TMF Trust Labuan Limited, Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Federal Territory of Labuan had been appointed as liquidator of TIL.

As at the authorisation date of the financial statements, there have been no further developments on this matter. The dissolution of TIL is expected to be completed during the financial year ending 31 December 2017. As at 31 December 2016, the unaudited net tangible assets stood at RM500,000.

(d) Conditional offer of Employees' Share Option Scheme ("ESOS")

On 17 November 2016, a conditional offer of 1,000,000 ESOS shares had been made with an option period of 8 years for the Group Chief Executive Officer, at an exercise price of RM1.45. This offer is subject to the approval of the shareholders of the Company at the next annual general meeting of the Company to be convened by the month of May 2017. Accordingly, there are financial statement impacts arising due to this matter for the year ended 31 December 2016.

Subsequent events

(a) Enactment of Companies Act, 2016

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

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

- (a) Removal of the authorised share capital;
- (b) Shares of the Company will cease to have par or nominal value; and
- (c) The Company's share premium and capital redemption reserves will become part of the share capital.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

43. Significant and Subsequent Events (Cont'd.)

Subsequent events (Cont'd.)

(a) Enactment of Companies Act, 2016 (Cont'd.)

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

(b) Proposed decision by the Malaysia Competition Commission to TIMB

On 22 February 2017, the general insurance subsidiary, TIMB, received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed preliminary decision ("Proposed Decision") which found that TIMB and 21 other general insurance companies in Malaysia who are members of the General Insurance Association of Malaysia ("PIAM") had purportedly infringed one of the prohibitions under the Competitions Act 2010 ("CA").

The Proposed Decision by MyCC is pursuant to the investigation outcome in respect to the agreement entered into between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") concerning the trade discount rates applicable to parts for certain types of vehicles and agreed labour rates for PIAM Approved Repairer's Scheme workshops. PIAM engaged with FAWOAM to resolve the issues concerning parts trade discounts and the hourly labour rates and subsequently issued agreed rates via PIAM members' circular which were adopted by PIAM members including TIMB.

The Proposed Decision suggests a financial penalty of RM3,608,530 on the part of TIMB and a consolidated amount of RM213,454,814 on all the 22 members of PIAM. The Proposed Decision is not conclusive as PIAM members have been given an indulgence of time to file their respective written representations to defend their positions. TIMB in consultation with its legal counsels will take all necessary and appropriate actions to defend that it has not infringed Section 4(2) of the CA and at all times maintain that TIMB acted in accordance to the directives issued.

(c) Disposal of collective investment schemes

Subsequent to year end, the Group and the Company has made a decision to dispose its collective investment schemes classified as subsidiaries of the Company, namely AmCash Institutional 9 fund and Libra Money Extra Fund II, following the change in tax ruling for wholesale money market fund.

(d) Dividend income from TPR

On 23 February 2017, TPR has declared a final dividend of RM44,490,000 to the Company. The dividend has been paid to the Company on 28 February 2017.

44. Supplementary information

Realised and unrealised profit/(losses)

Pursuant to the directive and guidance issued by Bursa Malaysia Securities Berhad, the breakdown of the Group's retained earnings into realised and unrealised earnings is analysed as follows:

	Group	
	2016 RM'000	2015 RM'000
Total retained earnings of the Group:		
– Realised	308,221	266,923
– Unrealised	649	(549)
	308,870	266,374
Consolidation adjustments	(55,480)	(55,372)
Total retained earnings as shown in the statement of the financial position of the Group	253,390	211,002

The analysis of realised and unrealised earnings is made by reference to the Guidance On Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised earnings above is solely for complying with the disclosure requirement of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

This note should be read in conjunction with the Group Statement of Changes in Equity.



ANALYSIS OF SHAREHOLDINGS

as at 10 April 2017

Distribution of Shareholdings

Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	61	0.90	702	0.00
100 – 1,000	895	13.21	705,495	0.09
1,001 – 10,000	3,918	57.82	20,656,664	2.75
10,001 – 100,000	1,619	23.89	50,635,118	6.74
100,001 to less than 5% of issued shares	279	4.12	403,296,478	53.65
5% and above of issued shares	4	0.06	276,465,523	36.78
	6,776	100.00	751,759,980	100.00

Substantial Shareholders

The direct and indirect shareholdings of the shareholders holding more than 5% in Tune Protect Group based on the Register of Substantial Shareholders are as follows:

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
AirAsia Berhad ("AAB")	102,609,000	13.65	–	–
Tan Sri (Dr.) Anthony Francis Fernandes	100,000	0.01	221,172,150 ⁽¹⁾	29.42
Datuk Kamarudin Bin Meranun	81,900	0.01	221,172,150 ⁽¹⁾	29.42
CIMB SI II Sdn. Bhd.	70,679,123	9.40	–	–
Tune Group Sdn. Bhd.	125,083,150	16.64	–	–
Kumpulan Wang Persaraan (Diperbadankan)	59,177,400	7.87	5,596,300 ⁽²⁾	0.74
CIMB Group Sdn. Bhd.	–	–	70,679,123 ⁽³⁾	9.40
CIMB Group Holdings Berhad	–	–	70,679,123 ⁽³⁾	9.40

Notes:

⁽¹⁾ Deemed interested through their shareholding in Tune Group Sdn. Bhd. and AAB.

⁽²⁾ Held through its Fund Manager.

⁽³⁾ Deemed interested through its shareholding in CIMB SI II Sdn. Bhd.

Directors' and CEO's Shareholdings

The interests of the Directors and CEO of Tune Protect Group in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:

Name	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Directors				
Tan Sri (Dr.) Anthony Francis Fernandes	100,000	0.01	221,172,150 ⁽¹⁾	29.42
Datuk Kamarudin Bin Meranun	81,900	0.01	221,172,150 ⁽¹⁾	29.42
Ng Soon Lai @ Ng Siek Chuan	100,000	0.01	–	–
Tan Ming-Li	–	–	–	–
Chief Executive Officer				
Razman Hafidz Bin Abu Zarim	–	–	–	–

Notes:

⁽¹⁾ Deemed interested through their shareholding in Tune Group Sdn. Bhd. and AAB.

The Tune Protect Group Employees' Share Option Scheme of the Company has been offered on 18 March 2014. There were no options exercised by, or shares granted to and vested in Directors during the financial year.



Thirty (30) Largest Shareholders

Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1. AirAsia Berhad	102,609,000	13.65
2. CIMB SI II Sdn. Bhd.	70,679,123	9.40
3. Kumpulan Wang Persaraan (Diperbadankan)	59,177,400	7.87
4. CIMB Group Nominees (Tempatan) Sdn. Bhd. – Pledged Securities Account for Tune Group Sdn. Bhd. (GCM CBM-SKY X)	44,000,000	5.85
5. Kenanga Nominees (Tempatan) Sdn. Bhd. – ECM Libra Partners Sdn. Bhd. pledged securities account for Tune Group Sdn. Bhd.	37,532,934	4.99
6. Kenanga Nominees (Tempatan) Sdn. Bhd. – Pledged securities account for Tune Group Sdn. Bhd. (3rd Party EDSP)	30,076,000	4.00
7. Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board	24,410,600	3.25
8. CIMB Group Nominees (Asing) Sdn. Bhd. – Exempt An for DBS Bank Ltd (SFS)	23,220,000	3.09
9. Citigroup Nominees (Asing) Sdn. Bhd. – Exempt An for Citibank New York (Norges Bank 12)	16,468,400	2.19
10. Malacca Equity Nominees (Tempatan) Sdn. Bhd. – Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)	12,810,300	1.70
11. HSBC Nominees (Asing) Sdn. Bhd. – Exempt An for Credit Suisse Securities (Europe) Limited (CLTAC N-TREATY)	9,874,000	1.31
12. DB (Malaysia) Nominee (Asing) Sdn. Bhd. – Exempt An for Nomura PB Nominees Ltd	9,276,600	1.23
13. Tokio Marine Life Insurance Malaysia Bhd. – As Beneficial Owner (PF)	8,940,900	1.19
14. HSBC Nominees (Asing) Sdn. Bhd. – Exempt An for JPMorgan Chase Bank, National Association (U.K.)	8,163,700	1.09
15. Citigroup Nominees (Tempatan) Sdn. Bhd. – Employees Provident Fund Board (Amundi)	8,000,000	1.06

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Name of Shareholders	No. of Shares Held	% of Issued Share Capital
16. CIMB Group Nominees (Tempatan) Sdn. Bhd. – <i>CIMB Commerce Trustee Berhad – Kenanga Growth Fund</i>	7,939,600	1.06
17. HSBC Nominees (Asing) Sdn. Bhd. – <i>HSBC-FS G for Best Investment Corporation (Victory Cap M)</i>	7,467,900	0.99
18. Amanahraya Trustees Berhad – <i>Public Strategic Smallcap Fund</i>	7,179,200	0.95
19. HSBC Nominees (Asing) Sdn. Bhd. – <i>Exempt An for JPMorgan Chase Bank, National Association (Australia.)</i>	5,708,600	0.76
20. DB (Malaysia) Nominee (Asing) Sdn. Bhd. – <i>BNYM SA/NV for Ramam World Recovery Fund</i>	5,332,000	0.71
21. HSBC Nominees (Tempatan) Sdn. Bhd – <i>JPMCB for Lim Kian Onn</i>	5,000,000	0.67
22. Citigroup Nominees (Tempatan) Sdn. Bhd. – <i>Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund</i>	4,945,300	0.66
23. HSBC Nominees (Asing) Sdn. Bhd. – <i>TNTC for Towers Watson Common Contractual Fund</i>	4,825,200	0.64
24. DB (Malaysia) Nominee (Asing) Sdn. Bhd. – <i>SSBT Fund 62L2 for USAA Emerging Markets Fund</i>	4,734,700	0.63
25. Malacca Equity Nominees (Tempatan) Sdn. Bhd. – <i>Exempt An for Phillip Capital Management Sdn. Bhd.</i>	4,687,400	0.62
26. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad – <i>Deutsche Trustee Malaysia Berhad for Eastspring Investmentssmall – CAP Fund</i>	4,360,600	0.58
27. Citigroup Nominees (Asing) Sdn. Bhd. – <i>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	4,163,196	0.55
28. DB (Malaysia) Nominee (Asing) Sdn Bhd – <i>State Street Luxembourg Fund AD69 for Allianz Global Investors Fund – Allianz Oriental Income</i>	3,937,000	0.52
29. HSBC Nominees (Asing) Sdn. Bhd. – <i>Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)</i>	3,750,000	0.50
30. Lim Kian Onn	3,544,100	0.47



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Kompleks Perniagaan

Pauh Jaya @ Frontage, Jalan Baru,

13700 Seberang Perai,

Pulau Pinang

Phone : +604 386 6518/386 6368

Fax : +604 386 6578

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6. **Alor Setar**
No. 2174-T Taman Habsah,
05100 Alor Setar,
Kedah Darul Aman
Phone : +604 730 7988/732 7987
Fax : +604 732 7989
7. **Ipoh**
Ground & 1st Floor,
No. 52, Jalan Medan Istana,
Bandar Ipoh Raya, 30000 Ipoh,
Perak Darul Ridzuan
Phone : +605 254 3305/254 1239
Fax : +605 254 6789
8. **Seremban**
No. 12, Ground Floor,
Jalan Dato Lee Fong Yee,
70000 Seremban, Negeri Sembilan
Phone : +606 761 1694/767 6260
Fax : +606 763 3109
9. **Melaka**
No 529 & 530, Ground Floor,
Taman Melaka Raya,
75000 Melaka
Phone : +606 284 2828/283 3109/
281 2753
Fax : +606 283 5110
10. **Johor Bahru**
Unit 22-02 Level 22, Menara Zurich,
15 Jalan Dato Abdullah Tahir,
80300, Johor Bahru,
Johor Darul Takzim
Phone : +607 333 1518/330 5603
Fax : +607 336 5539
11. **Batu Pahat**
1st Floor, No. 55-1, Jalan Cengal,
Taman Batu Pahat,
83000 Batu Pahat, Johor
Phone : +607 431 3591/431 3752
Fax : +607 431 4779
12. **Kluang**
No. 53, 1st & 2nd Floor,
Jalan Rambutan,
86000 Kluang, Johor
Phone : +607 776 5468
Fax : +607 776 5473
13. **Kuantan**
A109, Ground Floor,
Sri Dagangan,
Jalan Tun Ismail,
25000 Kuantan,
Pahang Darul Makmur
Phone : +609 513 1914/514 5259
Fax : +609 514 8970
14. **Kota Bharu**
Lot 702 & 703, PT 52, Ground Floor,
Seksyen 9, Jalan Tok Hakim,
15000 Kota Bharu, Kelantan
Phone : +609 748 3986/748 4895
Fax : +609 744 5414
15. **Kuala Terengganu**
No. 888C, Lot 3886, Tingkat 1,
Jalan Sultan Sulaiman,
20000 Kuala Terengganu
Phone : +609 622 9828/622 4828
Fax : +609 622 3151
16. **Kuching**
L.579, Section 10,
Kuching Town Land District,
Jalan Tun Ahmad Zaidi Adruse,
93400 Kuching, Sarawak
Phone : +6082 241 266/417 343
Fax : +6082 256 045
17. **Miri**
Lot 788, 1st Floor,
Jalan Bintang Jaya 4,
Bintang Jaya Commercial Centre,
98000 Miri, Sarawak
Phone : +6085 424 243/422 344
Fax : +6085 438 904
18. **Sibu**
No. 17C, 1st Floor,
Jalan Pedada,
96000 Sibu, Sarawak
Phone : +6084 353 033/353 055
Fax : +6084 353 022
19. **Kota Kinabalu**
Ground & 1st Floor,
No. 15, Jalan Pantai,
88000 Kota Kinabalu, Sabah
Phone : +6088 221 116/117/257/
253 120/218 292
Fax : +6088 218 272
20. **Tawau**
TB4620 Block B,
Ba Zhong Commercial Centre,
Jalan Tawau Lama, 91000
Tawau, Sabah
Phone : +6089 763 177/763 178
Fax : +6089 763 179
21. **Sandakan**
Ground Floor, Lot 3, Block 7,
Bandar Indah, Mile 4,
Jalan Utara,
90000 Sandakan, Sabah
Phone : +6089 224 770/224 780
Fax : +6089 224 790



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **Sixth Annual General Meeting** ("AGM") of Tune Protect Group Berhad ("Tune Protect Group" or "the Company") will be held at **Golden Screen Cinemas ("GSC"), 4th Floor, 1 Utama Shopping Centre, 1, Lebuhraya Bandar Utama, Bandar Utama City Centre, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan** on Monday, **22 May 2017** at **10.00 a.m.** for the following purposes:

As Ordinary Business

- To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2016. **Please refer to Note 1.**
- To declare a final dividend comprising a single tier dividend of 5.2 sen per ordinary share in respect of the financial year ended 31 December 2016 to the members of the Company, as recommended by the Directors. **Please refer to Note 2.**
- To approve the below Directors' Fees and benefits with effect from the financial year ending 31 December 2017:

RESOLUTION 1

RESOLUTION 2

Directors' Fee (per annum)	Non-Executive Chairman	Per Non-Executive Director/ Per Other Committee Member
Board of Directors	RM101,000	RM78,000
Audit Committee	RM28,000	RM23,000
Risk Management Committee	RM28,000	RM23,000
Nomination & Remuneration Committee	RM22,000	RM18,000
Investment Committee	RM44,000	RM37,000

Directors' Benefits (per attendance)	Per Board Director	Per Board Committee
Meeting allowance	RM2,500	RM2,500

- To re-elect the following Directors who retire pursuant to Article 123 of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - Datuk Kamarudin bin Meranun; and
 - Tan Ming-Li.
- To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

RESOLUTION 3

RESOLUTION 4

RESOLUTION 5

As Special Business

To consider and if thought fit, to pass, with or without modifications, the following Resolutions:

6. ORDINARY RESOLUTION

RESOLUTION 6

AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016

"**THAT** subject to Sections 75 and 76 of the Companies Act 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad; **AND THAT** such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company in accordance with Section 76 of the Companies Act 2016." **Please refer to Note 3.**

7. ORDINARY RESOLUTION

RESOLUTION 7

PROPOSED RENEWAL OF EXISTING AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** subject to the Main Market Listing Requirements of Bursa Malaysia, the Company and its subsidiary companies shall be mandated to enter into such Recurrent Related Party Transactions of a revenue or trading nature and which are necessary for the day-to-day operations of the Company and/or its subsidiaries ("RRPTs") with the related parties as set out in Section 2.4 of the Circular, subject further to the following:

- (i) the RRPTs are entered into in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company;
- (ii) disclosure is made in the annual report of the breakdown of the aggregate value of the RRPTs conducted pursuant to the shareholders' mandate during the financial year based on the following information:
 - (a) the type of RRPTs made; and
 - (b) the names of the related parties involved in each type of the RRPT made and their relationship with the Company.

If the actual value of any of the RRPT exceeds the estimated value disclosed in Section 2.4 of the Circular by 10% or more, the Company will make an immediate announcement, which will include the information as may be prescribed, to Bursa Malaysia.

- (iii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:
 - (a) the conclusion of the next AGM of the Company following the AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, such authority is renewed;
 - (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest.



THAT the Directors of the Company and/or any one of them be and are hereby authorised to complete and do all such acts and things as they consider necessary or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors of the Company in their discretion deem fit and expedient to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution.

AND THAT as the estimates given for the RRPTs specified in Section 2.4 of the Circular being provisional in nature, the Directors of the Company and/or any one of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.7 of the Circular." **Please refer to Note 4.**

8. ORDINARY RESOLUTION

AUTHORITY TO ALLOT SHARES TO RAZMAN HAFIDZ BIN ABU ZARIM

RESOLUTION 8

"**THAT** the Directors be and are hereby authorised to allot up to 1,000,000 ordinary shares of ("Tune Protect Group Shares") to Razman Hafidz Bin Abu Zarim, the Group Chief Executive Officer ("CEO") of the Company pursuant to his exercise of options offered to him under the Employees' Share Option Scheme ("ESOS") from time to time and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws."

Other Ordinary Business

9. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT AND DIVIDEND ENTITLEMENT DATE

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Sixth Annual General Meeting of the Company to be held on Monday, 22 May 2017 at 10.00 a.m., a final single tier dividend of 5.2 sen per ordinary share for the financial year ended 31 December 2016 will be paid on 15 June 2017 to depositors whose names appear in the Record of Depositors on Monday, 22 May 2017. A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on Monday, 22 May 2017, in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

JASMINDAR KAUR A/P SARBAN SINGH

(MAICSA 7002687)
Company Secretary
Selangor Darul Ehsan
28 April 2017

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NOTES ON APPOINTMENT OF PROXY

- a. A member must be registered in the Record of Depositors at 5.00 p.m. on 15 May 2017 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- b. A member entitled to attend and vote is entitled to appoint up to two proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act, 2016), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- c. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- d. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- e. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**
- g. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

EXPLANATORY NOTES:

1. Audited Financial Statements

This Agenda item is meant for discussion only as under the provisions of Section 340(1) of the Companies Act, 2016 and the Company's Articles of Association, the audited accounts do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

2. Final dividend (Resolution 1)

The Directors have recommended a final dividend comprising a single tier dividend of 5.2 sen per ordinary share in respect of the financial year ended 31 December 2016, which if approved, will be paid on 15 June 2017 to those shareholders on the record of the Company at the close of business on 22 May 2017.

3. Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (Resolution 6)

Ordinary Resolution 6 has been proposed for the purpose of obtaining the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Companies Act, 2016 (hereinafter referred to as the "General Mandate"). Ordinary Resolution 6, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at their discretion without having to first convene another General Meeting. The General Mandate will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The General Mandate, if granted, will enable the Company to fulfil its obligations under the Company's Employees' Share Option Scheme in an expedient manner as well as provide flexibility to the Company for any future fund raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowing, working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

4. Proposed renewal of existing and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature ("Proposed Shareholders' Mandate") (Resolution 7)

The proposed Ordinary Resolution 7, if passed, will provide the Company and/or its subsidiaries a mandate to enter into existing and additional Recurrent Related Party Transactions of a revenue or trading nature with the Related Parties in compliance with the Main Market Listing Requirements of Bursa Malaysia. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

Please refer to the Circular dated 28 April 2017 which was despatched together with this Annual Report for more details.

5. Authority to allot shares to Razman Hafidz Bin Abu Zarim (Resolution 8)

The proposed Ordinary Resolution 8 is to seek authority for the Directors to allot new shares in the Company under the ESOS to Razman Hafidz Bin Abu Zarim, the Group CEO of the Company. The ESOS which came into effect on 20 February 2013 was established in conjunction with our listing on the Main Market of Bursa Securities on 20 February 2013. The ESOS was established for the grant of Options to eligible employees of our Group to subscribe for new shares, not exceeding in aggregate 10% of the enlarged issued and paid-up share capital of our Company during the subsistence of the ESOS. The approval for the listing of the new shares to be issued pursuant to the exercise of the Options under the ESOS has been obtained from the Bursa Securities on 8 January 2013.

Personal Data Privacy:

By appointing a proxy(ies) and/or representatives(s) for the AGM, a member of the Company hereby:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any purpose incidental to the AGM;
- (ii) warrants that relevant prior consent of such proxy(ies) and/or representative(s) has been obtained for the use of his/her/their personal data by the Company (or its agents); and
- (iii) agrees that the member will indemnify the Company in respect of any liabilities, demands, losses and damages as a result of the member's breach of warranty.



ADMINISTRATIVE DETAILS FOR SIXTH ANNUAL GENERAL MEETING

Date	: Monday, 22 May 2017
Time	: 10.00 a.m.
Venue of Meeting	: Golden Screen Cinemas ("GSC"), 1 Utama Shopping Centre 4 th Floor, 1 Utama Shopping Centre, 1, Lebuhr Bandar Utama, Bandar Utama City Centre, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan
Time & Place for Registration	: From 8.00 a.m. Golden Screen Cinemas ("GSC"), 1 Utama Shopping Centre 4 th Floor, 1 Utama Shopping Centre, 1, Lebuhr Bandar Utama, Bandar Utama City Centre, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan

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Registration

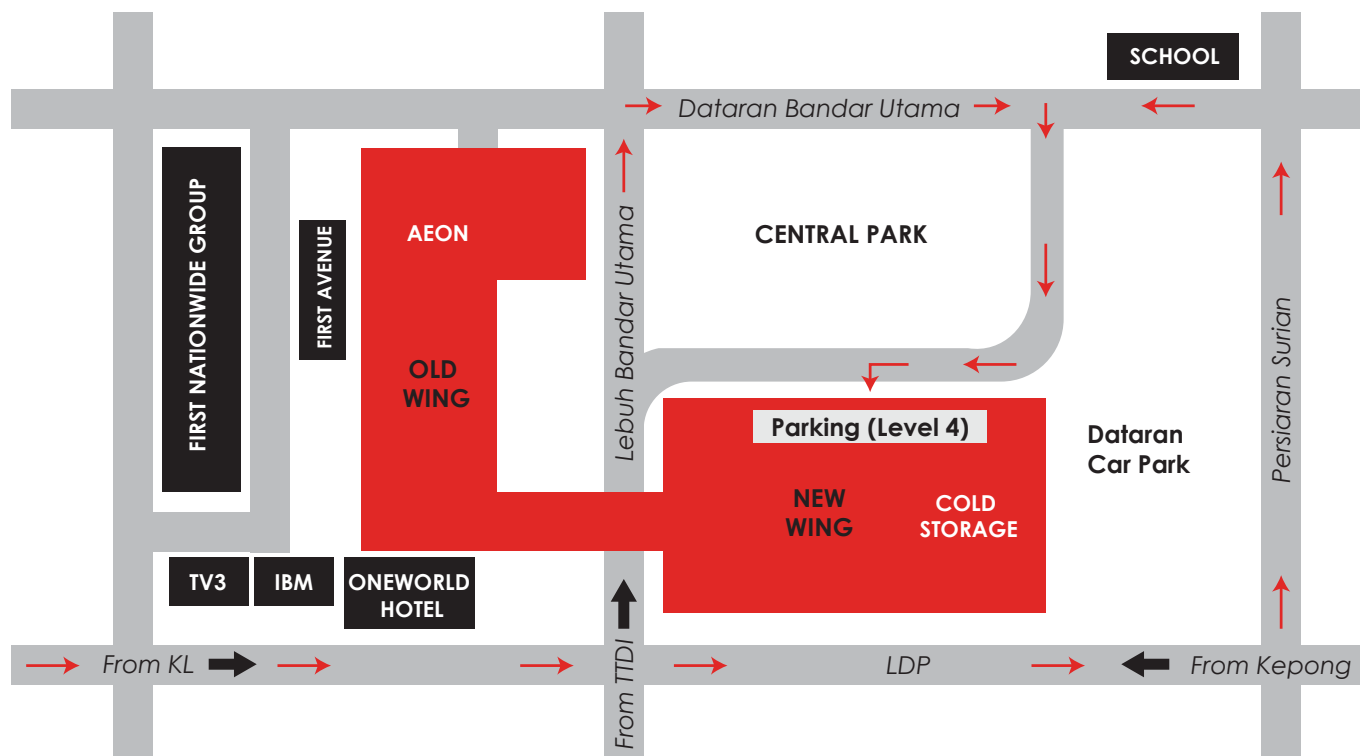
1. Registration will commence from 8.00 a.m. and will remain open until the conclusion or adjournment of the sixth Annual General Meeting ("6th AGM") or such time as may be determined by the Chairman of the meeting.
2. Please read the signage to ascertain which registration area to register yourself for the meeting and join the queue accordingly.
3. Please produce your ORIGINAL National Registration Identification Card ("NRIC") or Passport (for foreigners) during registration to our Share Registrar staff for verification and collect it thereafter. No person will be allowed to register on behalf of another person even with the original NRIC or Passport of the other person.
4. Upon registration and verification, you will be given a wristband and a passcode slip. Please ensure that you wear the wristband and keep the passcode slip for voting purpose.
5. Only those with wristbands will be allowed to enter the meeting hall. If you are attending as a shareholder as well as a proxy, you will only be given one (1) identification wristband. No replacement of wristband will be given.

Breakfast, Voucher & Door Gift

1. Breakfast will be provided to all shareholders/proxies ("attendees") after registration and before the commencement of the 6th AGM. The location will be right outside the venue of meeting.
2. A door gift will be given upon registration (subject to verification by share registrar of the 6th AGM).
3. Each attendee is only entitled to one (1) door gift and voucher only.

Parking

1. Indoor parking is available within 1 Utama Shopping Centre. For direct access to AGM venue, please park at Level 4, New Wing, 1 Utama Shopping Centre (subject to availability as parking space is limited).
2. We will reimburse your parking fee for the first 5 hours only if you have a valid parking ticket.



LOCATION MAP TO 6TH AGM VENUE, 1 UTAMA SHOPPING CENTRE

Voting Arrangement

1. The voting at the 6th AGM will be conducted via electronic voting ("e-voting") through hand held mobile devices.
2. Voting procedures will be briefed and/or guided accordingly by the Poll Administrator before the commencement of and during the voting process.
3. Appointed Poll Administrator and Independent Scrutineer will conduct the polling process and verify the results of the poll, respectively.

Seating Arrangement

1. The seating arrangement in the AGM hall is free seating, except for a few rows that are reserved for our key management and invitees.
2. All attendees may enter the meeting hall from 9.30 a.m. onwards.
3. All attendees should be seated at least five (5) minutes before the commencement of the 6th AGM.

Entitlements To Attend, Speak And Vote

Depositors whose names appear on the Record of Depositors ("ROD") as at 15 May 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxies to attend, speak and vote on depositors' behalf.

Others

1. Limited hardcopy of Annual Report is available (subject to first come first serve basis).
2. Please take care of your personal belongings. We will not be held responsible for any missing items.



Tricor e-vote Application

a. Voting at meeting

Pursuant to Paragraph 8.29A of the Listing Requirements, all resolutions to be tabled at the meeting will be voted by poll instead of by show of hands. For this purpose, the Company has appointed Tricor Investor and Issuing House Services Sdn Bhd ("Tricor") to conduct the poll voting electronically via Tricor e-vote application and Coopers Professional Scrutineers Sdn Bhd as scrutineers to verify the poll results.

b. Voting using your own smartphone device

- i. Shareholders and proxy holders ("voters") are advised to download Tricor e-vote apps onto their smartphone/tablets ("devices") before attending the meeting.
- ii. Tricor e-vote apps download is available at no cost from Google Play Store or Apple App Store.
- iii. Please refer to the information below on how to download the Tricor e-vote apps.
- iv. You are encouraged to approach Tricor's personnel at the Device Counter to check your devices' readiness to participate in the poll voting.

c. Voters who do not have devices

- i. You will be provided with a device when you attend the meeting.
- ii. Please proceed to the Device Counter for separate registration to obtain a device.
- iii. Upon conclusion of the AGM, please return the device to the Device Counter.
- iv. Alternative, you may vote at the Voting Kiosk set up by the Poll Administrator.

d. Access to Tricor e-vote App

- i. A passcode slip will be issued to you by Tricor upon registration of attendance for the meeting.
- ii. Please retain the passcode slip for voting purpose during the meeting.
- iii. You will be required to use the camera function of your device to capture the passcode to access Tricor e-vote app.
- iv. Detailed instruction on how to vote will be provided during the meeting before the start of the voting session.

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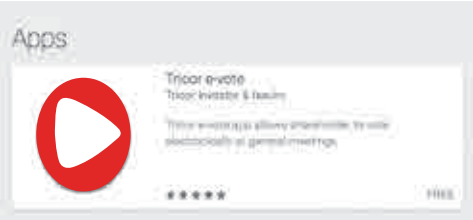
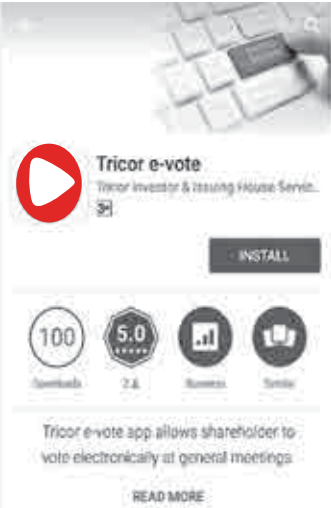


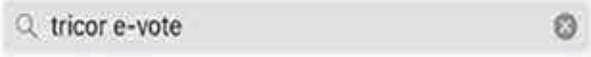


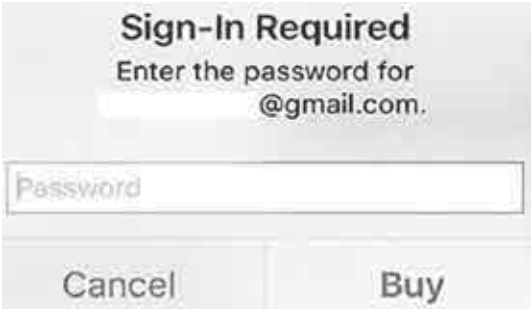
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Voting for all the resolutions set out in the Notice of AGM will take place after the conclusion of the deliberations of all the businesses to be transacted at the AGM.

How to download Tricor e-vote from Google Play Store (Android) – Minimum version of Android 4.0.3 or later	How to download Tricor e-vote from Apple App Store (IOS) – Minimum version of IOS 8.0 or later
<div><div>1. Locate the Play Store icon and tap on it to open</div><div></div><div><div>2. Type in the name of the app: "Tricor e-vote", into the menu bar and search</div><div></div><div><div>3. Tapping the three dots on the right side of the box will provide options to install right away.</div><div></div><div><div>4. Tap the Install button to start downloading. You will be prompted to provide certain device permissions for the installation to continue.</div><div></div><div><div>5. Once the download and installation are completed, you can tap the Open button in the Play Store listing, or tap the icon from the notification tray to open your app. Otherwise, the app will be accessible by tapping the Apps icon in the bottom of your home screen, assuming an icon hasn't already been put on your home screen.</div></div></div></div></div></div>	<div><div>1. Open the App Store application</div><div></div><div><div>2. Tap the Search icon at the bottom of the screen.</div><div></div><div><div>3. Enter the app name: "Tricor e-vote" and tap Search.</div><div></div><div><div>4. Tap on 'Get' button</div><div></div><div><div>5. Tap on 'Install' button to start downloading</div><div></div><div><div>6. Enter your Apple ID Password. Click 'Buy' to proceed (please note that there is no cost incurred)</div><div></div><div><div>7. Once the download and installation are completed, you can tap the Open button in the App Store listing. Otherwise, the app will be accessible by tapping the Apps icon in your home screen.</div></div></div></div></div></div></div></div>

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TUNE PROTECT GROUP BERHAD
(Company No. 948454-K)
Incorporated in Malaysia

PROXY FORM

I/We _____ NRIC No./Co No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____ being a Member TUNE PROTECT GROUP BERHAD
(ADDRESS)

("the Company") hereby appoint _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____
(ADDRESS)

and/or _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____
(ADDRESS)

as my/our proxy(ies) to vote in my/our name and on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Golden Screen Cinemas ("GSC"), 4th Floor, 1 Utama Shopping Centre, 1, Lebuhr Bandar Utama, Bandar Utama City Centre, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan on Monday, 22 May 2017 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

	Resolutions	For	Against
1	Ordinary Business Declare a final dividend comprising a single tier dividend of 5.20 sen per ordinary share in respect of the financial year ended 31 December 2016.		
2	Approval of Directors' Fee with effect from the financial year ending 31 December 2017.		
3	Re-election of Datuk Kamarudin Bin Meranun.		
4	Re-election of Tan Ming-Li.		
5	Re-appointment of Auditors.		
6	Special Business Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
7	Proposed Renewal of existing and new Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.		
8	Authority to Allot Shares to Razman Hafidz Bin Abu Zarim.		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : _____% Second Proxy : _____%
Date:	

Signature of Shareholder/Common Seal

NOTES ON APPOINTMENT OF PROXY

- a. A member must be registered in the Record of Depositors at 5.00 p.m. on 15 May 2017 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- b. A member entitled to attend and vote is entitled to appoint up to two proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act, 2016), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- c. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- d. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- e. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**
- g. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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STAMP

The Company Secretary,
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