



MAA GROUP BERHAD
(471403-A)



ANNUAL REPORT
2016

CONTENTS

002	Financial Highlights	052	Other Bursa Securities Compliance Information	081	Statements Of Comprehensive Income For The Financial Year Ended 31 December 2016
004	Board Of Directors	054	Statement On Risk Management And Internal Control	082	Statements Of Changes In Equity For The Financial Year Ended 31 December 2016
006	Board Of Directors' Profile	059	Directors' Responsibility Statement In Respect Of Annual Audited Accounts	084	Statements Of Cash Flows For The Financial Year Ended 31 December 2016
014	Key Senior Management Profile	060	Audit Committee Report	087	Notes To The Financial Statements 31 December 2016
018	Corporate Information	064	Corporate Social Responsibility	207	List Of Substantial Shareholders' And Directors' Shareholdings As At 31 March 2017
020	Overseas Operations	068	Directors' Report	208	Statistics Of Shareholdings As At 31 March 2017
021	Notice Of Nineteenth Annual General Meeting	073	Statement By Directors		Form of Proxy
026	Perutusan Pengerusi	073	Statutory Declaration		
028	Chairman's Message	074	Independent Auditors' Report		
030	Management's Discussion And Analysis	078	Statements Of Financial Position As At 31 December 2016		
042	Statement On Corporate Governance	079	Statements Of Profit Or Loss For The Financial Year Ended 31 December 2016		

FINANCIAL HIGHLIGHTS

FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

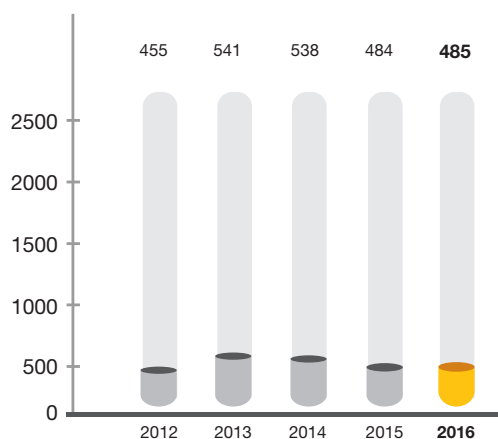
Year Ended 31 December	2016	2015	2014	2013	2012
Statements of Profit or Loss (RM' million)					
Total Revenue	485⁽¹⁾	484	538	541	455
Profit Before Taxation	268⁽¹⁾	33	19	9	39
Statements of Financial Position (RM' million)					
Total Assets	564	1,451	1,560	1,359	1,243
Total Borrowings	-	-	-	5	4
Shareholders' Equity	552	410	424	431	427
Financial Ratios					
Return on Capital Employed	48.5%	8.0%	4.5%	2.1%	9.0%
Return on Total Assets	47.4%	2.3%	1.2%	0.7%	3.1%
Earnings per Share (sen)	92.6	8.3	5.5	1.6	14.0
Net Asset per Share (RM)	2.0	1.4	1.4	1.4	1.4

⁽¹⁾ Included six (6) months results of MAA Takaful Berhad (now known as Zurich Takaful Malaysia Berhad) before completion of the disposal to Zurich Insurance Company Ltd on 30 June 2016.

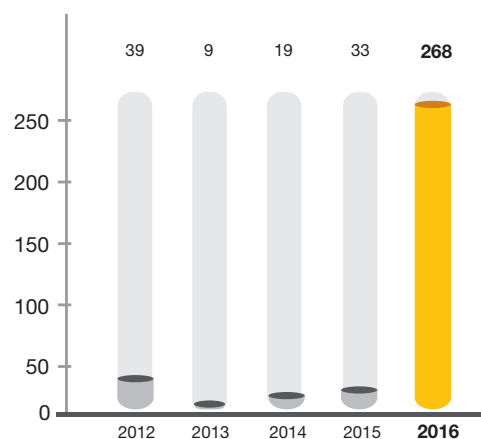
FINANCIAL HIGHLIGHTS

(continued)

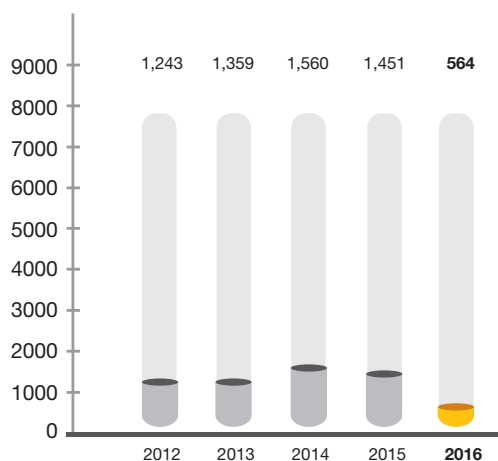
Total Revenue (RM mil)



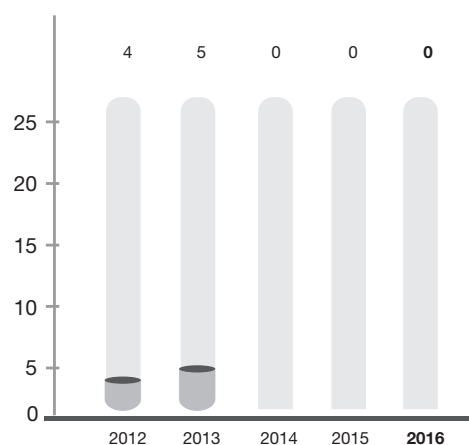
Profit Before Taxation (RM mil)



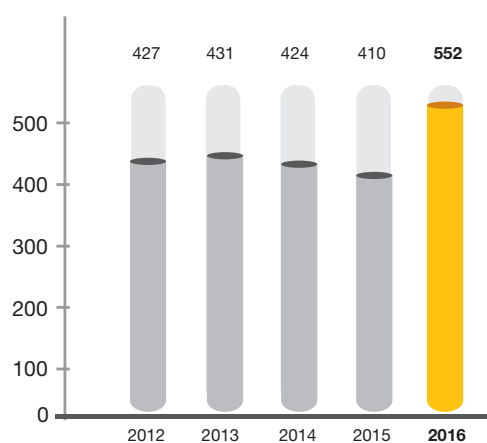
Total Assets (RM mil)



Total Borrowing (RM mil)



Shareholders' Equity (RM mil)



BOARD OF DIRECTORS

1. **Tunku Dato' Yaacob Khyra**
Executive Chairman

2. **Yeo Took Keat**
Executive Director
Group Chief Operating Officer

3. **Tan Sri Ahmad Bin Mohd Don**
Independent Non-Executive Director
Member of Risk Management Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

4. **Dato' Narendrakumar Jasani A/L Chunilal Rugnath**
Independent Non-Executive Director
Chairman of Risk Management Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee



5. **Datuk Muhamad Umar Swift**
Chief Executive Officer / Group Managing Director

7. **Tunku Yahaya @ Yahya Bin Tunku Tan Sri Abdullah**
Non-Independent Executive Director

6. **Tan Sri Datuk Seri Razman Md Hashim**
Senior Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management Committee

8. **Onn Kien Hoe**
Independent Non-Executive Director
Chairman of Audit Committee
Member of Risk Management Committee
Member of Nomination and Remuneration Committee



BOARD OF DIRECTORS' PROFILE



Tunku Dato' Yaacob Khyra has been a Director since its inception in November 1998. He was appointed as the Group Managing Director/Chief Executive Officer in 1999. Subsequently, he was re-designated as Executive Chairman of the Company on 28 August 2008. He currently holds the position of Executive Chairman of Mycron Steel Berhad ("MSB") and Melewar Industrial Group Berhad ("MIG").

Tunku Dato' Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Malaysian Institute of Accountants.

Tunku Dato' Yaacob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently, employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Dato' Yaacob joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Yaacob is a Board Member of MIG, MSB, Melewar Group Berhad, Khyra Legacy Berhad, Ithmaar Holding B.S.C., IB Capital B.S.C. (Closed) and several private limited companies. His shareholdings in the Company is disclosed on page 207 of the Annual Report.

Tunku Dato' Yaacob is the Chairman of the Board of Trustees for MAA-Medicare Charitable Foundation and The Budimas Charitable Foundation. He also sits on the Board of Altech Chemicals Limited as Non-Executive Director.

Tunku Dato' Yaacob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Yaacob does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

TUNKU DATO' YAACOB KHYRA

*Aged 56, Malaysian, Male
Executive Chairman*

BOARD OF DIRECTORS' PROFILE

(continued)

Datuk Muhamad Umar Swift was appointed as Chief Executive Officer ("CEO")/Group Managing Director of MAA Group Berhad on 7 September 2006.

Datuk Umar started his career with Price Waterhouse as a Chartered Accountant in January 1986. He has more than 22 years' experience in the areas of banking and financial services. He began his career in the banking industry in November 1992 as Manager, Corporate Finance in Bank of Singapore (Australia) Limited.

He then went on to hold numerous positions within the bank before joining Gas Malaysia Sdn Bhd in January 1996 as General Manager, Corporate Finance. A year later, he was promoted to CEO of Gas Malaysia in 1997. Datuk Umar left Gas Malaysia in January 2002 to become a Practice Leader for the Utilities Business of Deloitte Consulting in Malaysia.

In April 2004, he joined Maybank as Executive Vice President – Head, Enterprise Financial Services Group. In May 2006, Datuk Umar left Maybank and joined the Company as Deputy CEO.

Datuk Umar was appointed as Acting CEO of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) in August 2007 and appointed as CEO of MAA in August 2008. He ceased to be the CEO of MAA when MAA was sold to Zurich Insurance Company Ltd ("ZIC") on 30 September 2011, and remained as CEO/Group Managing Director of MAA Group Berhad.

Datuk Umar was also appointed as Non-Independent Non-Executive Director of MAA Takaful Berhad ("MAAT") (now known as Zurich Takaful Malaysia Berhad) in May 2007. He ceased to be the Director of MAAT when MAAT was sold to ZIC on 30 June 2016.

Datuk Umar graduated with a Bachelor of Economics from Monash University, Clayton, Australia in December 1985 and is an Associate of the Institute of Chartered Accountants in Australia, a member of CPA Australia, a Fellow of the Taxation Institute of Australia, as well as a Fellow of the Financial Services Institute of Australasia in Australia. He is also a Chartered Accountant with the Malaysian Institute of Accountants and a Registered Financial Planner.

Currently, Datuk Umar is a Board Member of Columbus Capital Pty Limited and MAA International Group Ltd (formerly known as MAA International Assurance Ltd). He also sits on the Board of several private limited companies in the group.

Datuk Umar is also a Member of the Board of Trustees for MAA-Medicare Charitable Foundation, the Board of Trustees for The Budimas Charitable Foundation as well as a Member of the Anaho Foundation.

Datuk Umar does not have any personal interest in any business arrangements involving the Company.

Datuk Umar does not have any family relationship with any Director and/or major shareholders of the Company. He also does not have any shareholding in the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK MUHAMAD UMAR SWIFT
Aged 52, Permanent Resident, Male
Chief Executive Officer/
Group Managing Director



BOARD OF DIRECTORS' PROFILE

(continued)



Mr Yeo Took Keat was appointed to the Board on 24 February 2005.

Mr Yeo has vast experience in accounting and finance having served in various capacities with insurance companies and audit firms upon completing his studies in 1980. He joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1986 and has held several positions, the last of which was as Senior Vice President – Finance & Administration before his transfer to MAA Group Berhad in May 2002 as the Group Chief Operating Officer.

Mr Yeo is a Fellow of The Association of Chartered Certified Accountants, United Kingdom and a Member of the Malaysian Institute of Accountants.

Mr Yeo currently sits on the Boards of MAA Bancwell Trustee Berhad, MAA Credit Berhad and MAA International Group Ltd (formerly known as MAA International Assurance Ltd). He also serves on the Boards of several private limited companies in the group.

Mr Yeo is also a Member of the Board of Trustees for MAA-Medicare Charitable Foundation.

Mr Yeo does not have any personal interest in any business arrangements involving the Company.

Mr Yeo does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year. His shareholdings in the Company is disclosed on page 207 of the Annual Report.

YEO TOOK KEAT
Aged 59, Malaysian, Male
Executive Director
Group Chief Operating Officer

BOARD OF DIRECTORS' PROFILE

(continued)

Tan Sri Datuk Seri Razman Md Hashim was appointed to the Board on 1 July 2006.

Tan Sri Datuk Seri Razman completed his early secondary education in Australia and on completion, studied Accounting and Banking where he became a member of the Australian Institute of Bankers.

Upon his return to Malaysia, Tan Sri Datuk Seri Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1964. Throughout his 34 years of banking experience in SCB, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as the Executive Director/Deputy Chief Executive of SCB until his retirement in June 1999.

In the same month in 1999, Tan Sri Datuk Seri Razman was appointed as Chairman of MBf Finance Berhad by Bank Negara Malaysia ("BNM") until January 2002 when the finance company was sold to Arab-Malaysian Group. In May 2002 he was appointed as an Independent Non-Executive Director of Affin Bank Berhad by BNM until his retirement in May 2009. He was appointed as Independent Non-Executive Director of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) on 1 July 2006 until 30 September 2011 when MAA was sold to Zurich Insurance Company Ltd.

Tan Sri Datuk Seri Razman is currently the Executive Deputy Chairman of the Sunway Group of Companies and his current directorships in other public companies include SILK Holdings Berhad, Berjaya Land Berhad, Sunway Berhad, Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad) and Mycron Steel Berhad.

Tan Sri Datuk Seri Razman is also a Director of ASLI Foundation and Jeffrey Cheah Foundation as well as the Alternate Director in Perdana Leadership Foundation.

Tan Sri Datuk Seri Razman does not have any personal interest in any business arrangements involving the Company.

Tan Sri Datuk Seri Razman does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year. His shareholdings in the Company is disclosed on page 207 of the Annual Report.

TAN SRI DATUK SERI RAZMAN MD HASHIM

Aged 77, Malaysian, Male

*Senior Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management Committee*



BOARD OF DIRECTORS' PROFILE

(continued)



Tan Sri Ahmad bin Mohd Don was appointed to the Board on 13 October 2006.

Tan Sri Ahmad is a Summa cum Laude graduate in Economics and Business from the Aberystwyth University, United Kingdom. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Ahmad has extensive experience in finance and banking, having worked in various capacities with Pemas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He served as the Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. Tan Sri Ahmad was the Governor of Bank Negara Malaysia from May 1994 to August 1998. He currently serves on the Boards of United Malacca Berhad, Hap Seng Plantations Holdings Berhad, South-East Pahang Oil Palm Berhad and Alliance Bank Malaysia Berhad. Tan Sri Ahmad is currently the Independent Non-Executive Chairman of Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad) and Zurich Insurance Malaysia Berhad.

Tan Sri Ahmad does not have any personal interest in any business arrangements involving the Company.

Tan Sri Ahmad does not have any family relationship with any Director and/or major shareholders of the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year. His shareholdings in the Company is disclosed on page 207 of the Annual Report.

TAN SRI AHMAD BIN MOHD DON

Aged 69, Malaysian, Male

Independent Non-Executive Director

Member of Risk Management Committee

Member of Audit Committee

Member of Nomination and Remuneration Committee

BOARD OF DIRECTORS' PROFILE

(continued)

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah was appointed to the Board on 10 January 2007. He was re-designated as Non-Independent Executive Director of the Company on 1 December 2011 by virtue of his appointment as Head of E-Commerce (Vice President) of MAA Corporation Sdn Bhd, the wholly-owned subsidiary of MAA Group Berhad.

Tunku Yahaya is the brother to Tunku Dato' Yaacob Khyra, the Executive Chairman of the Company. Therefore, he is deemed a substantial shareholder by virtue of his relationship with Tunku Dato' Yaacob Khyra who is the founder and ultimate beneficial owner of Khyra Legacy Berhad, the ultimate substantial shareholder of the Company. His shareholdings in the Company is disclosed on page 207 of the Annual Report.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) Degree in Economics and Accountancy from City University, London. Upon completion, he joined Peat Marwick Mitchell & Co. in London that same year. In 1986, he obtained his Master of Science in Economics from Birkbeck College, University of London.

Upon returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision as Managing Director. In 1997, he started the music recording label, Melewar Parallax Sdn Bhd.

He currently sits on the Boards of Melewar Industrial Group Berhad, Mithril Berhad, Melewar Group Berhad, The Melewar Corporation Berhad, Khyra Legacy Berhad, MAA Credit Berhad, MAA Bancwell Trustee Berhad, Jat Acres Berhad and several private limited companies.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**TUNKU YAHAYA @ YAHYA BIN
TUNKU TAN SRI ABDULLAH**
Aged 55, Malaysian, Male
Non-Independent Executive Director



BOARD OF DIRECTORS' PROFILE

(continued)



Dato' Narendrakumar Jasani A/L Chunilal Rugnath was appointed to the Board on 5 September 2012 as an Independent Non-Executive Director. He is the Chairman of the Risk Management Committee and a Member of Audit Committee and Nomination and Remuneration Committee of the Company.

Dato' Jasani is currently the Managing Partner of SJ Grant Thornton, a firm of public accountants. He qualified as a Chartered Accountant in England in 1974. He gained experience with Grant Thornton in the United Kingdom and locally with Ernst & Young. Whilst with the two firms, he was involved in rendering professional services for large financial institutions and a number of other international and public listed companies.

Dato' Jasani has been involved in all aspects of professional practice including auditing, consulting and investigative assignments, corporate restructuring, privatization and tax planning exercises. Dato' Jasani contributes towards the professional development of the accounting standards and practice via his involvement and Chairman of the Public Practice Committee, Member of the Small & Medium Practice, Insolvency Practice and Valuation Committees of the Malaysian Institute of Accountants (MIA). He is also a Council Member of MIA. Dato' Jasani was also the Founding Chairman of the Chartered Accountants in England and Wales (ICAEW) Malaysian Chapter for four (4) years and now serves as the Adviser. For initiating the Malaysian ICAEW Chapter and then the successful student training, he was awarded the Life Time Achievement Award by ICAEW.

Dato' Jasani has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Dato' Jasani does not have any personal interest in any business arrangements involving the Company.

Additionally, he does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATO' NARENDRAKUMAR JASANI A/L CHUNILAL RUGNATH

Aged 67, Malaysian, Male

Independent Non-Executive Director

Chairman of Risk Management Committee

Member of Audit Committee

Member of Nomination and Remuneration Committee

BOARD OF DIRECTORS' PROFILE

(continued)

Mr Onn Kien Hoe was appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of the Company on 5 September 2012. Mr Onn is also a Member of Risk Management Committee and Nomination and Remuneration Committee of the Company. He currently sits on the Boards of Nova MSC Berhad, Reliance Pacific Berhad, Zurich Takaful Malaysia Berhad (formerly known as MAA Takaful Berhad), MAA International Group Ltd (formerly known as MAA International Assurance Ltd) and several private limited companies.

Mr Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a Member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn is a partner with Crowe Horwath, an internationally affiliated accounting firm which is the 5th largest in Malaysia. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Horwath. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a Member of the Interpretation Committee of the Malaysian Accounting Standards Board.

Mr Onn has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Onn does not have any personal interest in any business arrangements involving the Company.

Mr Onn does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

ONN KIEN HOE

Aged 52, Malaysian, Male

Independent Non-Executive Director

Chairman of Audit Committee

Member of Risk Management Committee

Member of Nomination and Remuneration Committee



KEY SENIOR MANAGEMENT PROFILE

TUNKU DATO' YAACOB KHYRA

Aged 56, Malaysian, Male
Executive Chairman

Tunku Dato' Yaacob Khyra has been a Director of the Company since its inception in November 1998. He was appointed as the Chief Executive Officer/Group Managing Director ("CEO/Group MD") of the Company in 1999. Subsequently, he was re-designated as Executive Chairman of the Company on 28 August 2008. His personal profile is listed in the Board of Directors' Profile on page 6 of this Annual Report.

DATUK MUHAMAD UMAR SWIFT

Aged 52, Permanent Resident, Male
Chief Executive Officer/Group Managing Director ("CEO/Group MD")

Datuk Muhamad Umar Swift was appointed as CEO/Group MD of the Company on 7 September 2006. His personal profile is listed in the Board of Directors' Profile on page 7 of this Annual Report.

YEO TOOK KEAT

Aged 59, Malaysian, Male
Executive Director/Group Chief Operating Officer

Mr Yeo Took Keat was appointed to the Board of Directors of the Company on 24 February 2005. He joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1986 and has held several positions, the last of which was as Senior Vice President – Finance & Administration before his transfer to the Company in May 2002 as the Group Chief Operating Officer. His personal profile is listed in the Board of Directors' Profile on page 8 of this Annual Report.

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH

Aged 55, Malaysian, Male
Non-Independent Executive Director

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 10 January 2007. He was re-designated as Non-Independent Executive Director of the Company on 1 December 2011 by virtue of his appointment as Head of E-Commerce (Vice President) of MAA Corporation Sdn Bhd, the wholly-owned subsidiary of the Company. His personal profile is listed in the Board of Directors' Profile on page 11 of this Annual Report.

DANIEL C. GO

Aged 55, Filipino, Male
President/Chief Executive Officer ("CEO")

Mr Go is the President/CEO of MAA General Assurance Philippines, Inc. ("MAAGAP") since the commencement of the company's operation in 2001. He is one of the founder and pioneer of MAAGAP.

Mr Go has more than 33 years of work experience in the field of Non-Life Insurance. His career in insurance started in the middle of 1982 when he joined Prudential Guarantee and Assurance Inc. (PGAI) as a Claims Clerk for motor car. He rose from the ranks and became Assistant Vice President – Claims for All Lines, then was further promoted to become Vice President for Marketing until 2001.

Mr Go studied Bachelor of Science in Commerce, Major in Management at the University of the East.

Mr Go has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Go does not have any personal interest in any business arrangements involving the Company.

Mr Go does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

(continued)

ANDREW MARK CHEPUL

Aged 46, Australian, Male
Executive Director

Mr Andrew Mark Chopul was appointed to the Board of Directors of Columbus Capital Pty Limited (“CCA”) on 6 October 2006 as Executive Director. He is a Director of the company’s subsidiaries and a Director of Consortia Group Holdings and several other private proprietary limited companies.

Mr Chopul holds a Bachelor of Business Degree in Accounting from Deakin University, Melbourne and Post Graduate in Applied Finance from Fincia, Melbourne.

Mr Chopul started his career in the Trustee industry in 1991 with State Trustees as General Manager Corporate Trust until 1997. He joined Firstmac, in 1997 as Treasurer.

Mr Chopul is deemed to be interested in the Company by virtue of him being a co-founder of CCA.

Mr Chopul does not have any personal interest in any business arrangements involving the Company.

Mr Chopul does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

LIM YONG HUEY

Aged 53, Malaysian, Female
Senior Vice President - Group Finance

Ms Lim started her career as an auditor having served various capacities in audit firms the last being with PricewaterhouseCoopers (PwC) Malaysia before she left the audit profession to join the commercial working as a Finance Manager in a public-listed company.

In August 2000, she joined MAA Group Berhad (“the Company”) as Executive Manager - Group Finance and progressed within the Company to the position of Senior Vice President - Group Finance in January 2011. As the Senior Vice President - Group Finance, she oversees the overall finance functions, which include financial reporting, finance operations, budgeting, treasury, taxation, payroll and office administration.

She is a Fellow member of the Association Chartered Certified Accountants (“ACCA”), United Kingdom.

Ms Lim does not hold any directorship in other public or listed companies, and does not have any family relationship with any Director and/or major shareholders of the Company. She also does not have any personal interest in any business arrangements involving the Company.

Ms Lim does not have any conflict of interest with the Company, and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

(continued)

JANICE NG CHOI THENG

Aged 42, Malaysian, Female

Assistant Vice President - Group Legal

Ms Janice Ng joined the Company on 1 November 2007. In 2011, she was promoted to Senior Manager to manage and oversee the Group Legal Affairs & Compliance Department of the Company. She was subsequently promoted to her current position in 2014.

Ms Janice Ng completed her Bachelor of Laws LL.B. (Upper Second Class Honours) from University of East London, United Kingdom in 1996 and is called to the Malaysian Bar.

Ms Janice Ng has more than 18 years legal experience, and she has held positions as legal counsel in various corporations in the banking, technology and financial services sector before joining the Company. She started her legal career with Southern Bank Berhad in 1997, and thereafter continued as a corporate lawyer with an MSC status IT company specialising in business to business (B2B), business to consumer (B2C) software solutions and online platforms in 2001. Prior to joining the Company, she was also with Citibank Berhad as a Legal Manager handling legal and compliance portfolio for PDO loans recovery in the Consumer Banking division.

Ms Janice Ng does not hold any directorship in other public or listed companies, and does not have any family relationship with any Director and/or major shareholders of the Company.

Ms Janice Ng does not have any personal interest in any business arrangements involving the Company.

Ms Janice Ng does not have any conflict of interest with the Company, and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

ANGELINE LIM SUAN SEE

Aged 51, Malaysian, Female

Senior Manager - Group Human Resource, Training and Communications

Ms Angeline Lim joined the Company on 2 May 2000 as Manager, Communications. In 2002, she was promoted to Executive Manager. In 2005, she was promoted to Senior Manager to oversee Group Communications. She was subsequently promoted to her current position to oversee the Group's Human Resources, Training and Communications.

Ms Angeline Lim completed her Diploma in Public Relations, Advertising and Marketing from the London Chamber of Commerce in 1992. Subsequently in 2010, she completed her MBA from the University of Southern Queensland.

Ms Angeline Lim has a combined 32 years' working experience in the aviation, service and insurance industry. Prior to joining the Company, she was with Malaysia Airlines, the Shangri La Hotel, Hotel Istana, Palace of the Golden Horses and Malaysian Assurance Alliance Berhad.

Ms Angeline Lim does not hold any directorship in other public or listed companies, and does not have any family relationship with any Director and/or major shareholders of the Company.

Ms Angeline Lim does not have any personal interest in any business arrangements involving the Company.

Ms Angeline Lim does not have any conflict of interest with the Company, and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

(continued)

VIJAYA KUMAR

Aged 62, Malaysian, Male

Senior Manager - Strategic Planning

Mr Vijaya Kumar has held the planning portfolio since August 2009. He has served in both the public and private sectors. He began his tenure in the former with a six (6) years stint with the Ministry of Health commencing in 1978 followed by another six (6) years in the Economics Division of the Federal Treasury. He joined Maybank in 1990 and held a number of positions during his 17 years there culminating in the appointment as the Head of the Program Management Department in the CEO's Office.

Mr Vijaya holds a Post Graduate Diploma in Business Administration (Management) awarded by the University of Massey, New Zealand.

Mr Vijaya has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company. He also does not have any personal interest in any business arrangements involving the Company.

Mr Vijaya does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory authorities during the financial year.

ZALYFFAH BINTI JIMAN

Aged 43, Malaysian, Female

Senior Manager - Group Compliance & Custodian

Ms Zalyffah has been with the Company since November 2001. She was the Internal Auditor for the Company and was re-designated to Senior Manager of Group Compliance & Custodian in 2015.

She holds a Bachelor's Degree in Accounting (Hons) from Universiti Utara Malaysia and is a member of the Malaysian Institute of Accountants and Institute of Internal Auditors Malaysia.

To date, she has accumulated 19 years of professional experience in audit with various public-listed companies involved in financial service, insurance and stock broking.

Ms Zalyffah has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Ms Zalyffah does not have any personal interest in any business arrangements involving the Company.

Ms Zalyffah does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DAVID CHANDRA MOHAN

Aged 30, Malaysian, Male

Executive Manager - Group Audit & Risk

Mr David joined the Company in January 2014 and presently heads the Group's Audit & Risk Department.

Prior to joining the Company, Mr David was an auditor from PricewaterhouseCoopers (PwC) Malaysia since 2010 and held the same role in Christopher Heng & Co. for a year before joining PwC.

Mr David holds a Bachelor's Degree in Accounting (Hons) from Universiti Utara Malaysia and is a Certified Internal Controls Auditor. He is also a member of the Malaysian Institute of Accountants.

Mr David has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr David does not have any personal interest in any business arrangements involving the Company.

Mr David does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tunku Dato' Yaacob Khyra (*Chairman*)
Datuk Muhamad Umar Swift
Mr Yeo Took Keat
Tan Sri Datuk Seri Razman Md Hashim
Tan Sri Ahmad bin Mohd Don
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Mr Onn Kien Hoe

AUDIT COMMITTEE

Mr Onn Kien Hoe (*Chairman*)
Tan Sri Ahmad bin Mohd Don
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Tan Sri Datuk Seri Razman Md Hashim

RISK MANAGEMENT COMMITTEE

Dato' Narendrakumar Jasani A/L Chunilal Rugnath (*Chairman*)
Tan Sri Ahmad bin Mohd Don
Tan Sri Datuk Seri Razman Md Hashim
Mr Onn Kien Hoe

NOMINATION AND REMUNERATION COMMITTEE

Tan Sri Datuk Seri Razman Md Hashim (*Chairman*)
Dato' Narendrakumar Jasani A/L Chunilal Rugnath
Tan Sri Ahmad bin Mohd Don
Mr Onn Kien Hoe

SECRETARIES

Mr Yeo Took Keat (MIA No. 3308)
Ms Lily Yin Kam May (MAICSA No. 0878038)

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants

PRINCIPAL PLACE OF BUSINESS

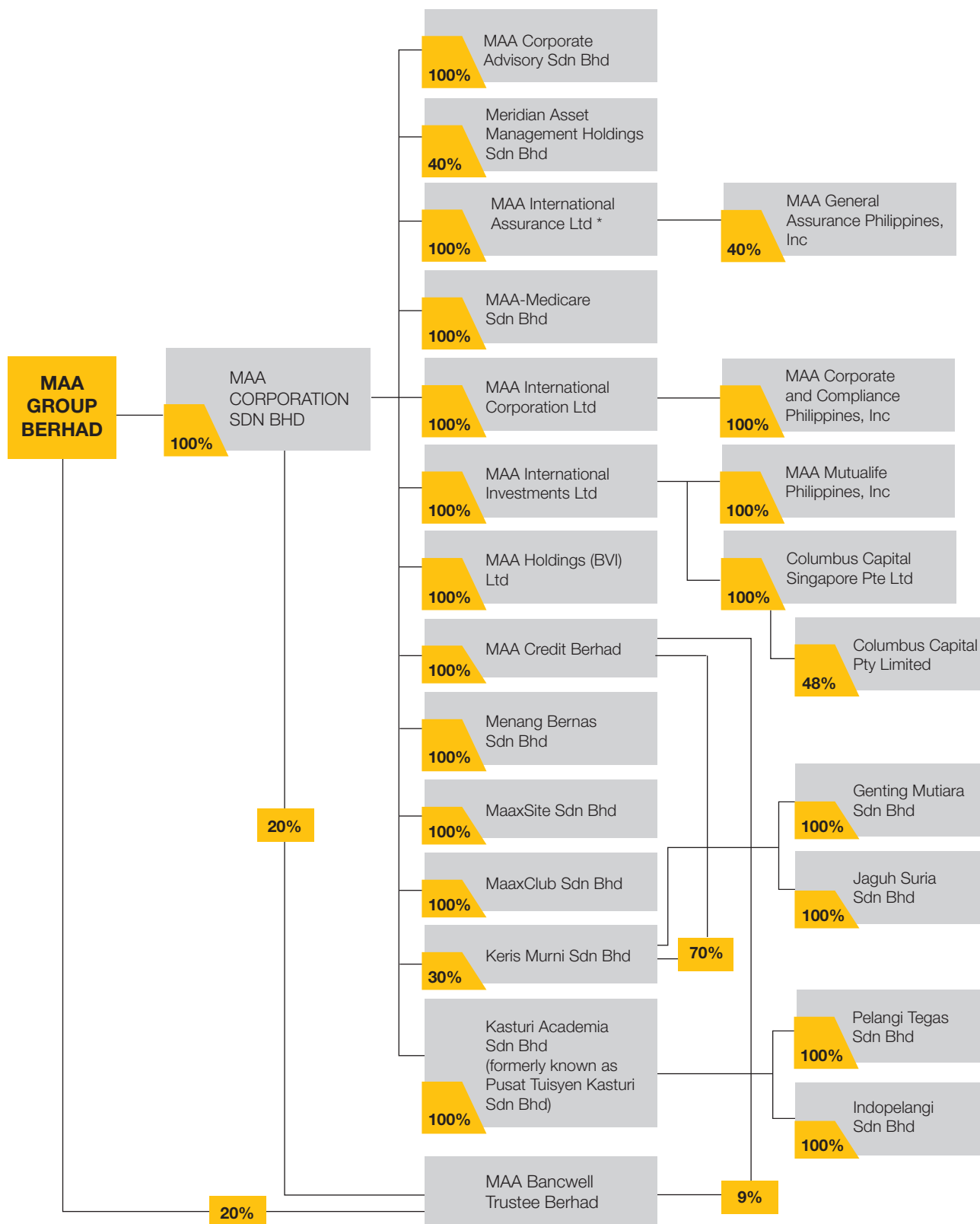
13th Floor, No. 566, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03 6256 8000
Fax : 03 6251 0373

REGISTERED OFFICE

Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03 6252 8880
Fax : 03 6252 8080

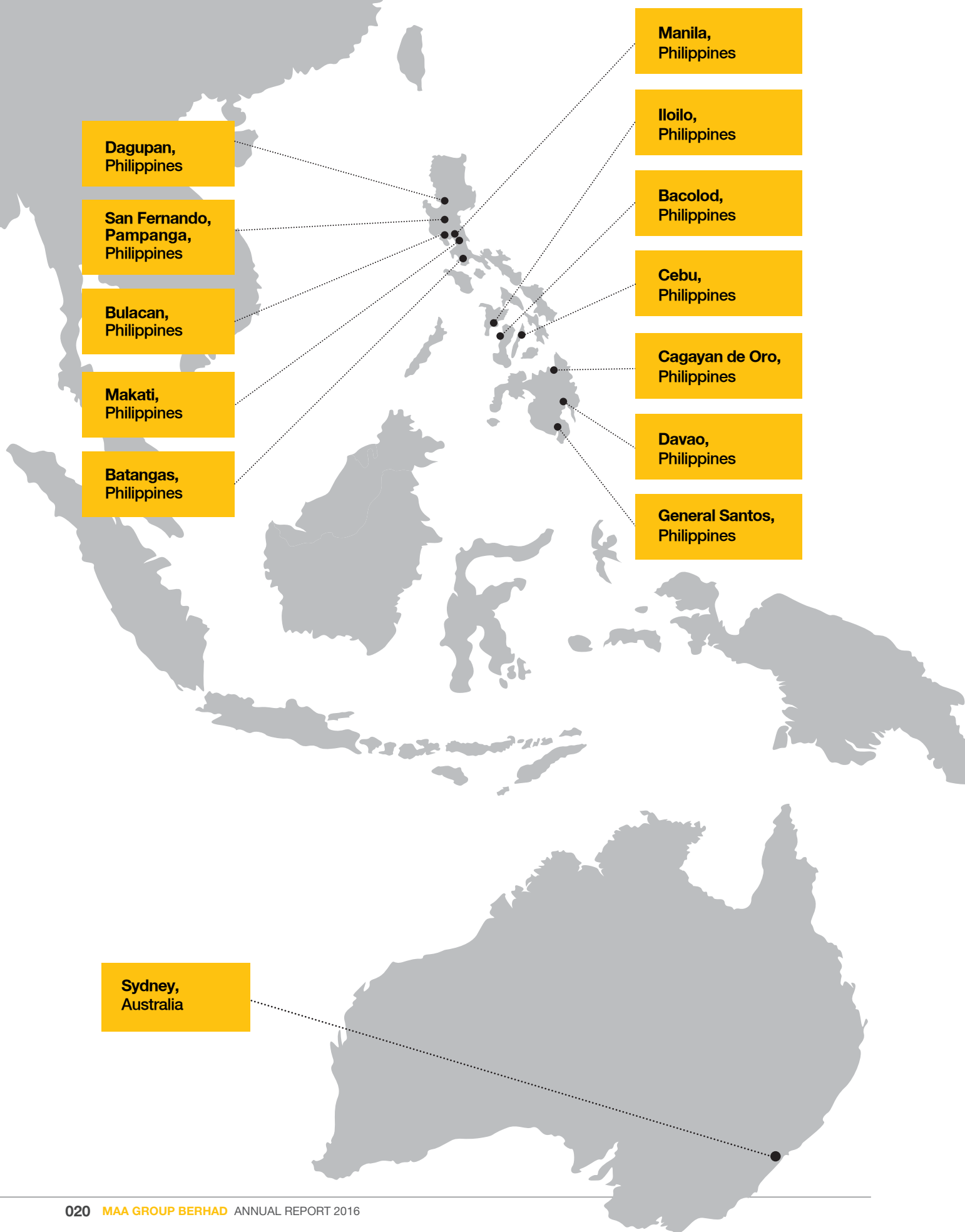
SHARE REGISTRAR

TRACE MANAGEMENT SERVICES SDN BHD
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03 6252 8880
Fax : 03 6252 8080



* Changed name to MAA International Group Ltd on 9 March 2017

OVERSEAS OPERATIONS



NOTICE OF NINETEENTH ANNUAL GENERAL MEETING



MAA GROUP BERHAD

(471403-A)
Incorporated in Malaysia

NOTICE IS HEREBY GIVEN that the 19TH ANNUAL GENERAL MEETING of the Company will be held at Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 25 May 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

Resolution

- | | |
|--|---|
| (1) To receive the Audited Financial Statements for the year ended 31 December 2016 together with the Reports of the Directors and the Auditors thereon.
<i>[Please refer to Explanatory Note A]</i> | 1 |
| (2) To approve the payment of Directors' fees amounting to RM326,400 for the period from 1 July 2017 to 30 June 2018 to be payable quarterly in arrears to the Non-Executive Directors of the Company and its subsidiary.
<i>[Please refer to Explanatory Note B]</i> | 2 |
| (3) To approve an amount of up to RM350,000 as benefits payable to the Non-Executive Directors of the Company and its subsidiary for the period from 1 June 2017 until the conclusion of the next Annual General Meeting ("AGM") of the Company.
<i>[Please refer to Explanatory Note C]</i> | 3 |
| (4) To re-elect the following Directors who are retiring in accordance with Article 113(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election: | |
| (i) Datuk Muhamad Umar Swift | 4 |
| (ii) Tan Sri Ahmad bin Mohd Don | 5 |
| (iii) Mr Onn Kien Hoe | 6 |
| (5) To re-appoint Tan Sri Datuk Seri Razman Md Hashim as Independent Non-Executive Director of the Company.
<i>[Please refer to Explanatory Note D]</i> | 7 |
| (6) To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. | 8 |

AS SPECIAL BUSINESS

- (7) To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

(a) Continuing in Office as Independent Non-Executive Directors

- | | |
|---|----|
| (i) "THAT subject to the passing of the Ordinary Resolution 6, approval be and is hereby given to Tan Sri Datuk Seri Razman Md Hashim, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company."
<i>[Please refer to Explanatory Note E]</i> | 9 |
| (ii) "THAT subject to the passing of the Ordinary Resolution 4, approval be and is hereby given to Tan Sri Ahmad bin Mohd Don, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company."
<i>[Please refer to Explanatory Note E]</i> | 10 |

(b) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

"THAT the mandate granted by the shareholders of the Company on 20 June 2016 pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), authorising the Company and its subsidiaries ("the MAAG Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MAAG Group's day-to-day operations as set out in Section 3.3, Table 3.3(A) of Part A of the Circular to Shareholders dated 28 April 2017 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new recurrent related party transactions of a revenue or trading nature as set out in Section 3.3, Table 3.3(B) of the Circular with the related parties mentioned therein, provided that:-

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

(continued)

Resolution

- (a) the transactions are 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 on terms not to the detriment of the minority shareholders of the Company; and
- (b) the transactions are made at arm's length and on normal commercial terms.

AND THAT, authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in general meeting), until

- (a) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the 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 resolution passed by the shareholders in general meeting;

whichever is earliest.

AND THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

(c) Proposed Renewal of Share Buy-Back Authority

11

"THAT subject to compliance with Section 127 of the Act, the Listing Requirements of Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such amount of shares in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company and that an amount not exceeding the Company's total audited retained profits of RM152,251,000 as at 31 December 2016 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

AND THAT such authority shall commence immediately upon passing of this Ordinary Resolution and will expire at the conclusion of the next AGM of the Company unless earlier revoked or varied by Ordinary Resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held whichever is earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."

(d) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act

12

"THAT, subject always to the Act, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company at any time until the conclusion of the next AGM, 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 to be issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued."

BY ORDER OF THE BOARD

YEO TOOK KEAT (MIA NO. 3308)
LILY YIN KAM MAY (MAICSA NO. 0878038)
Company Secretaries

Kuala Lumpur
28 April 2017

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

(continued)

NOTES:

1. Applicable to shares held through a nominee account.
2. A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
7. Any alteration in the form of proxy must be initialled.
8. Form of Proxy sent through facsimile transmission shall not be accepted.
9. For the purpose of determining a member who shall be entitled to attend this 19th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.
10. Explanatory Notes to Ordinary Business:

(A) Audited Financial Statements

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.

(B) Payment of Non-Executive Directors' Fees (Resolution 1)

The Board had on 13 April 2017 approved the Nomination and Remuneration Committee's ("NRC") recommendation for the Directors' fees for 2017 to be revised and adjusted based on various factors including the Board remuneration framework of comparable public listed companies in Malaysia as well as the probable increase in the number of Independent Non-Executive Directors of the Company in the near future to meet the Malaysian Code on Corporate Governance 2012 Guidelines ("MCCG 2012"). The proposed increase in Directors' fees for 2017 is set out in the table as follows:

	Directors' Fees as approved at 18 th AGM held on 20 June 2016	Proposed increase in Directors' Fees for 2017 (Approval to be sought at 19 th AGM)
Non-Executive Directors	RM180,000 per annum	RM326,400 per annum

The payment of the Directors' Fees for the period from 1 July 2017 to 30 June 2018 will only be made if the Proposed Resolution 1 has been passed at this 19th AGM pursuant to Section 230(1)(b) of the Act and Articles 121(a) & 121(c) of the Company's Articles of Association.

(C) Benefits Payable to Non-Executive Directors (Resolution 2)

The benefits comprises the meeting allowances, benefits in kind and other emoluments payable to the Non-Executive Directors of the Company and its subsidiary, namely MAA International Group Ltd ("MAAIG") (formerly known as MAA International Assurance Ltd).

In determining the estimated total amount of remuneration (excluding directors' fees) for the Non-Executive Directors of the Company and its subsidiary, MAAIG, the Board considered various factors including the number of scheduled meetings for the Board, Board Committees and Board of subsidiary as well as the number of Non-Executive Directors involved in these meetings. Payment of the directors' remuneration (excluding directors' fees) will be made by the Company and its subsidiary as and when incurred if the Proposed Resolution 2 has been passed at this 19th AGM. The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the directors' remuneration (excluding directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiary throughout the relevant period.

(D) To re-appoint Tan Sri Datuk Seri Razman Md Hashim as Independent Non-Executive Director of the Company (Resolution 6)

The Proposed Resolution 6 is to re-appoint Tan Sri Datuk Seri Razman Md Hashim who is over 70 years of age and was re-appointed at the Eighteenth AGM of the Company held on 20 June 2016 pursuant to Section 129(6) of the Companies Act, 1965 (which was then in force) to hold office until the conclusion of the next AGM to be held in 2017. The said Section 129(6) is now superseded by the Act which does not require a director over 70 years of age to be re-appointed at the AGM. The Proposed Resolution 6 once passed will confirm the appointment of Tan Sri Datuk Seri Razman Md Hashim without any further requirement for him to seek re-appointment in future except that he shall still be subject to the Article 113(1) of the Company's Articles of Association requiring one-third of the directors to retire from office in every subsequent year.

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

(continued)

11. Explanatory Notes to Special Business:

(E) Continuing in Office as Independent Non-Executive Directors (Resolutions 8 and 9)

At the last AGM in 2016, the shareholders of the Company had approved the continuation in office of both Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don as Independent Non-Executive Directors of the Company until the conclusion of this AGM.

In line with the recommendation 3.3 of the MCCG 2012, the Proposed Resolutions 8 and 9, if passed, will enable both Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Directors of the Company to fulfil the requirements of Paragraph 3.04 of the Listing Requirements of Bursa Securities.

Both NRC and the Board have assessed the independence of Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company until the conclusion of the next AGM based on the following justifications:

Tan Sri Datuk Seri Razman Md Hashim

- (1) He had fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and thus he would be able to function as check and balance and bring an element of objectivity to the Board.
- (2) He has vast experience in the accounting and audit industry enabling him to provide the Board with a diverse set of experience, expertise and independent judgement.
- (3) He is independent in character and judgement, independent of management and free from any relationship or circumstances which are likely to affect or could affect his judgement or making of decisions in the best interest of the Company.
- (4) He had devoted sufficient time and attention to his professional obligations for an informed and balanced decision making.
- (5) He has demonstrated his ability to participate constructively and with integrity in all decisions in the best interest of the overall business of the Company.

Tan Sri Ahmad bin Mohd Don

- (1) He had fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and thus he would be able to function as check and balance and bring an element of objectivity to the Board.
- (2) He has vast experience in the accounting and audit industry enabling him to provide the Board with a diverse set of experience, expertise and independent judgement.
- (3) He had consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
- (4) He had devoted sufficient time and attention to his professional obligations for an informed and balanced decision making.
- (5) He has been able to contribute effectively and lead in rigorous debate on important issues besides providing sound advice and has made suggestions for improvements on the issues or matters brought to the attention of the Board.

The profiles of the above mentioned Directors are set out in the Directors' Profile on pages 9 and 10 of the Annual Report. The details of their shareholdings in the Company are set out in the Directors' Shareholdings which appears on page 207 of the Annual Report.

(F) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 10)

The Proposed Resolution 10, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(G) Proposed Renewal of Share Buy-Back Authority (Resolution 11)

The Proposed Resolution 11, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

(continued)

(H) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Resolution 12)

The Ordinary Resolution proposed under Resolution 12 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Proposed Resolution 12, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 18th AGM held on 20 June 2016 and which will lapse at the conclusion of the 19th AGM to be held on 25 May 2017.

12. Poll Voting

All the Resolutions mentioned above will be put to vote by Poll.

The detailed information on Special Business of Agenda 7 except for Ordinary Resolutions 8, 9 and 12 as mentioned above is set out in the Circular to Shareholders of the Company dated 28 April 2017 which is despatched together with the Company's 2016 Annual Report.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 4 and 5 of the Notice of the 19th AGM of the Company are set out in the Directors' Profile on pages 7, 9, 10 and 13 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 207 of this Annual Report.

The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Note H of the Notice of the 19th AGM of the Company.

PERUTUSAN PENGERUSI



TUNKU DATO' YAACOB KHYRA
Pengerusi Eksekutif

Pemegang Saham Yang Dihargai, Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan Kumpulan bagi tahun berakhir 31 Disember 2016.

PERSEKITARAN OPERASI

Perkembangan ekonomi global pada suku ke-3 2016 masih kekal, dengan pertumbuhan hanya 2.6% dicatatkan, terutamanya disebabkan pelarasan struktur di kebanyakan negara besar, bencana alam yang berulang, peristiwa geopolitik seperti Brexit, ketidakpastian yang memuncak akibat pilihan raya Presiden Amerika Syarikat ("AS"), kejatuhan nilai mata wang Asia dan kemungkinan berlaku perubahan dasar di AS. Dalam suasana ini, Malaysia mencatatkan pertumbuhan ekonomi lebih rendah sebanyak 4.3% pada suku ke-3 2016 (S3 2015: 4.7%), yang disokong terutamanya oleh aktiviti sektor swasta tempatan, tetapi dikekang oleh kemerosotan perbelanjaan awam, penyusutan sektor pertanian dan kenaikan harga makanan dan minuman tidak beralkohol akibat penarikan balik subsidi tertentu oleh kerajaan Malaysia.

Pada tahun yang dilaporkan, Kumpulan memberi tumpuan kepada usahanya untuk menyempurnakan beberapa usul korporat dan pada masa yang sama memantau prestasi kewangan perniagaan Kumpulan yang masih beroperasi.

PERKEMBANGAN TERKINI CADANGAN KORPORAT

Kumpulan dengan sukacitanya membentangkan perkembangan terkini cadangan korporat penting yang dilaksanakan pada tahun yang dilaporkan:

- a) Pada 30 Jun 2016, Syarikat telah menyempurnakan pelupusan anak syarikat yang dimilikinya sebanyak 75%, iaitu MAA Takaful Berhad ("MAA Takaful"), yang kini dikenali sebagai Zurich Takaful Malaysia Berhad, kepada Zurich Insurance Company Ltd ("Zurich") dengan pertimbangan tunai muktamad sebanyak RM364.4 juta. Daripada jumlah tersebut, Kumpulan sudah menerima RM270.6 juta manakala baki RM93.75 juta akan dibayar oleh Zurich pada ulang tahun ketiga tarikh pelupusan disempurnakan menurut terma dan syarat perjanjian jual beli.
- b) Pada 31 Mac 2016, Kumpulan telah menyempurnakan pelupusan anak syarikat yang 100% dimiliki olehnya iaitu MAA Cards Sdn Bhd, kepada eProtea Sdn Bhd (kini dikenali sebagai Finexus Sdn Bhd) dengan pertimbangan tunai muktamad sebanyak RM6.0 juta.
- c) Pada 6 Disember 2016, anak syarikat Kumpulan, MAA International Assurance Ltd ("MAAIA") telah mengirimi wang berjumlah PHP 300 juta (lebih kurang RM27.3 juta) untuk melanggan sebanyak 300,000 saham baru tambahan dengan nilai par PHP 1,000 setiap satu dalam MAA General Assurance Philippines, Inc. ("MAAGAP"), sebuah syarikat insurans am berlesen yang beroperasi di Republik Filipina (dirujuk sebagai "Cadangan Langganan").

Cadangan Langganan ini adalah tertakluk kepada kelulusan pihak berkuasa yang berkaitan di Filipina. Apabila Cadangan Langganan ini disempurnakan, kepentingan ekuiti MAAIA dalam MAAGAP akan meningkat daripada 40% sekarang kepada 70%, seterusnya menjadikan MAAGAP sebuah anak syarikat Kumpulan.

- d) Berhubung dengan status PN17 Syarikat, pada 20 Disember 2016, Syarikat telah memohon lanjutan tempoh bagi mengemukakan rancangan penyusunan semula untuk kelulusan Bursa Malaysia Securities Berhad ("Bursa Securities"). Permohonan untuk lanjutan tempoh ini tertakluk kepada pertimbangan Bursa Securities. Pada 16 Februari 2017, Bursa Securities telah meluluskan tempoh lanjutan sehingga 30 Jun 2017.

TINJAUAN KEPUTUSAN

Pada 2016, Kumpulan mencatatkan Untung Sebelum Cukai ("USC") lebih tinggi sebanyak RM267.6 juta (2015: USC RM32.6 juta), yang sebahagian besarnya diraih menerusi keuntungan RM280.4 juta daripada pelupusan perniagaan takaful, iaitu MAA Takaful, dan juga sumbangan keuntungan lebih tinggi daripada syarikat-syarikat sekutu Kumpulan, dengan jumlah bahagian keuntungan selepas cukai sebanyak RM4.7 juta (2015: RM3.8 juta).

Maklumat perniagaan, operasi dan prestasi kewangan Kumpulan pada tahun yang dilaporkan dibincangkan secara berasingan dalam Penyata Perbincangan dan Analisis Pengurusan dalam halaman yang dilampirkan.

DIVIDEN

Sebagai imbuhan kepada pemegang saham atas sokongan mereka, Syarikat telah membayar dividen interim sebanyak 41 sen (2015: 6 sen) sesaham biasa di bawah sistem dividen satu peringkat pada tahun yang dilaporkan, termasuk dividen khas interim 35 sen sesaham biasa yang tertakluk kepada penyempurnaan pelupusan MAA Takaful.

TANGGUNGJAWAB SOSIAL KORPORAT

Seperti tahun-tahun lepas, Kumpulan menunaikan tanggungjawab sosial korporatnya menerusi *MAA Medicare Charitable Foundation* dan turut memberikan sokongan kepada *The Budimas Charitable Foundation*.

PROSPEK

Menjelang tahun 2017, suasana tidak menentu yang berpotensi menjejaskan pertumbuhan ekonomi global, termasuk isu yang dikaitkan dengan Brexit, dasar kewangan di negara-negara besar, dasar perlindungan industri tempatan di AS dan kemungkinan dilanda kemelesetan ekonomi lebih teruk di Republik Rakyat China.

Pada tahun 2017, ekonomi Malaysia juga menghadapi cabaran dan risiko lebih besar akibat persekitaran global dan tempatan yang tidak menentu, khususnya kesan sejak penghujung 2014, termasuk kejatuhan harga komoditi, kemerosotan nilai ringgit yang berpanjangan, pelaksanaan cukai barangan dan perkhidmatan, pelarasan harga tempatan dan pertumbuhan ekonomi Republik Rakyat China yang kurang pesat.

Walaupun berdepan dengan kemelut persekitaran ekonomi yang mencabar ini, Kumpulan akan menumpukan usahanya pada 2017 untuk menyempurnakan dan mengemukakan rancangan penyusunan semula PN17 menerusi pengambilalihan perniagaan baru kepada Bursa Securities untuk kelulusan. Mengenai pengambilalihan ini, Kumpulan akan teliti dalam mengenal pasti dan menilai perniagaan baru untuk diambil alih bagi mencapai objektif menjana keuntungan lestari bersama-sama supaya Kumpulan dapat melangkah maju ke masa hadapan.

PENGIKTIRAFAN DAN PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan ribuan terima kasih kepada pasukan Pengurusan dan juga kakitangan atas komitmen, dedikasi dan sumbangan mereka kepada Kumpulan.

Saya juga ingin mengambil kesempatan ini untuk merakamkan penghargaan kami kepada rakan niaga, pelanggan dan pemegang saham kami yang dihargai atas sokongan, keyakinan dan kepercayaan yang diberikan terhadap kami.

Akhir kata, saya ingin mengucapkan terima kasih kepada rakan seperjuangan saya dalam Lembaga Pengarah kerana kepimpinan dan sumbangan mereka kepada Kumpulan.

Tunku Dato' Yaacob Khyra
Pengerusi Eksekutif

CHAIRMAN'S MESSAGE



TUNKU DATO' YAACOB KHYRA
Executive Chairman

Dear Shareholders, On behalf of the Board of Directors, I am pleased to present the Annual Report of the Group for the year ended 31 December 2016.

OPERATING ENVIRONMENT

The global economic growth remained soft with a growth of 2.6% in Q3 2016, mainly due to structural adjustments experienced in major countries, recurring natural disasters, geopolitical events such as Brexit, heightened uncertainty related to the US presidential election, the turmoil in Asian currencies and potential policy changes in the US. On this backdrop, the Malaysian economy registered a lower growth of 4.3% in Q3 2016 (Q3 2015: 4.7%) supported mainly by domestic private sector activities, albeit cut in public spending, contraction in agriculture sector and higher prices for food and non-alcoholic beverages due to withdrawal of certain subsidies by the Malaysian government.

In the year under review, the Group focused its efforts to completing several corporate proposals and at the same time monitoring the financial performance of the identified remaining operating businesses of the Group.

UPDATES ON CORPORATE PROPOSALS

The Group is pleased to provide the following updates for significant corporate proposals carried out during the year:

- a) On 30 June 2016, the Company had completed the disposal of its 75% owned subsidiary, MAA Takaful Berhad ("MAA Takaful") (now known as Zurich Takaful Malaysia Berhad) to Zurich Insurance Company Ltd ("Zurich") for a final cash consideration of RM364.4 million, of which the Group had received RM270.6 million with the balance RM93.75 million to be paid by Zurich on the third anniversary of the disposal completion date in accordance with the terms and conditions of the sale and purchase agreement.
- b) On 31 March 2016, the Group had completed the disposal of its 100% owned subsidiary, MAA Cards Sdn Bhd to eProtea Sdn Bhd (now known as Finexus Sdn Bhd) for a final cash consideration of RM6.0 million.
- c) On 6 December 2016, the Company's subsidiary, MAA International Assurance Ltd ("MAAIA") remitted a sum of PHP 300 million (approximately RM27.3 million) to subscribe for additional 300,000 new shares with par value PHP 1,000 each of MAA General Assurance Philippines, Inc. ("MAAGAP"), a licensed general insurance company operating in the Republic of the Philippines (referred to as "Proposed Subscription").

The Proposed Subscription is subject to the approval of regulatory authority in the Philippines. Upon the completion of the Proposed Subscription, MAAIA's equity interest in MAAGAP will increase from the present 40% to 70%, thereby making MAAGAP a subsidiary of the Group.
- d) On the PN17 status of the Company, it has on 20 December 2016 submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for further extension of time to submit a regularisation plan for approval. The application for extension of time is subject to Bursa Securities' consideration. On 16 February 2017, Bursa Securities has approved the extension of time until 30 June 2017.

OVERVIEW OF RESULTS

In 2016, the Group recorded a higher Profit Before Taxation ("PBT") of RM267.6 million (2015: PBT RM32.6 million) mainly attributed by a gain of RM280.4 million from the disposal of the takaful business namely MAA Takaful and also higher profit contributions from the Group's associated companies with total share of profit after taxation of RM4.7 million (2015: RM3.8 million).

Details of the Group's business, operations and financial performance during the year are discussed separately in the Management Discussion and Analysis Statement in the attached pages.

DIVIDENDS

To remunerate the shareholders for their support, the Company has paid interim dividends of 41 sen (2015: 6 sen) per ordinary share under the single-tier dividend system during the year, including an interim special dividend of 35 sen per ordinary share which was conditional upon the completion of the disposal of MAA Takaful.

CORPORATE SOCIAL RESPONSIBILITY

Continuing from previous years, the Group discharges its corporate social responsibilities through MAA Medicare Charitable Foundation and also its support for The Budimas Charitable Foundation.

PROSPECTS

Moving into 2017, there remain uncertainties impacting growth in the global economy such as those associated with Brexit, monetary policies in the major economies, protectionist policy in the US and potential sharper economy slowdown in the People's Republic of China.

Similarly in 2017, the Malaysian economy will also face greater challenges and risks amid uncertainty from both the global and domestic fronts in particular the effects since end 2014 from the contraction in commodity prices, prolonged ringgit depreciation, goods and services tax implementation, domestic price adjustments and moderation in the economic growth of the People's Republic of China.

Amidst this challenging economic environment, the Group will focus its efforts in 2017 to completing and submitting the PN17 regularisation plan with acquisition of new business to Bursa Securities for approval. On this note, the Group will be cautious in its identification and evaluation of new business for acquisition to meet the objectives of generating sustainable profitability together with the other existing continuing operations as the Group moves ahead to the future.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to thank the Management team and Staff for their commitment, dedication and contributions to the Group.

I would also like to take this opportunity to extend our appreciation to our valued business associates, valued customers and the shareholders for the continued invaluable support, confidence and trust they have placed in us.

Finally, I would like to thank my fellow Board members for their stewardship and contributions to the Group.

Tunku Dato' Yaacob Khyra
Executive Chairman

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

OVERVIEW OF THE GROUP'S BUSINESS OPERATIONS

MAAG is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") with market capitalisation and total assets under management of RM242.1 million and RM564.1 million respectively as at end December 2016.

Over the years through internal corporate restructuring exercises, the Group had disposed its conventional life insurance and general insurance, unit trust, asset management, property management services, information technology and security services businesses. At the same time, it had also ceased the offshore life and general reinsurance and investment-linked businesses in Labuan subsequent to the commutation of both life and general reinsurance treaties in 2011 and maturity of the last investment-linked bond fund in 2014 respectively.

In June 2016, the Group ceased its takaful business upon the disposal of the 75% owned takaful subsidiary, MAA Takaful Berhad ("MAA Takaful") (now known as Zurich Takaful Malaysia Berhad). The Group has now successfully exited the local financial services sector regulated by Bank Negara Malaysia ("BNM") with the completion of the sale of MAA Takaful.

Currently the remaining significant business segments of the Group are investment holdings via MAAG and subsidiaries, education services via subsidiary Kasturi Academia Sdn Bhd (formerly known as Pusat Tuisyen Kasturi Sdn Bhd), general insurance business via associated company MAA General Assurance Philippines, Inc. ("MAAGAP") in the Philippines and retail mortgage lending business via associated company Columbus Capital Pty Limited ("CCA") in Australia. Other non-core business activities of the Group comprise of hire purchase, leasing and other credit facilities, property management and consultancy services.

GROUP'S STRATEGIC DIRECTION

In 2016, MAAG has accomplished and made significant progress in the following corporate and business strategies:

- There are various restrictions and requirements under the Islamic Financial Services Act, 2013 ("IFSA") in particular the required approval by BNM for financial holding company status, implementation of risk based capital ("RBC") and the requirement for major shareholders of takaful company to maintain a minimum capital for its operations calculated based on the RBC requirements for its takaful subsidiary in addition to the capital already reserved at the takaful subsidiary level. Taking all these into consideration and couple with the fact that the Group is standalone without banking business nor strategic partnership with banks, the Board of MAAG had recommended for the proposed disposal of MAA Takaful as an opportunity to unlock the value of investment in MAA Takaful.

In June 2016, MAAG has completed the disposal of MAA Takaful to Zurich Insurance Company Ltd ("Zurich") for a total sale consideration of RM364.4 million (net of price adjustment) with a disposal gain of RM280.4 million for the Group.

- Going forward the Group's plans include focusing on the development of its general insurance business in the Philippines held by MAAGAP and the retail mortgage lending business in Australia held by CCA. As at 31 December 2016, the Group held 40.0% and 48.0% equity interest in MAAGAP and CCA respectively. The objectives are twofold i.e. to accelerate the future growth of these businesses and improve profitability of the Group to partly address MAAG's PN17 status.

About MAAGAP, the company has been steadily growing its business. It ranked a credible 12th in terms of gross premium written and 13th in terms of total assets in 2015 among a total of 67 general insurance players in the Philippines. In 2016, MAAGAP has continued with growth momentum for its general insurance business with a commendable 20.1% increase in gross premium to RM137.1 million (2015: RM114.2 million).

With the objective to take control of this asset with good growth prospect, the Group in December 2016 via subsidiary MAA International Assurance Ltd ("MAAIA") had remitted a sum of PHP300 million (approximately RM27.3 million) to subscribe for additional 300,000 new shares with par value of PHP1,000 per share in MAAGAP ("Proposed Subscription"). The Proposed Subscription is subject to the approval of the regulatory authority in the Philippines. Upon the completion of the Proposed Subscription, MAAIA's equity interest in MAAGAP will increase from the present 40% to 70% thereby making it a subsidiary of the company and Group.

As for CCA, the company has grown its loan portfolio by 28.6% to RM5.8 billion (AUD1.8 billion) as at end December 2016 (2015: RM4.4 billion (AUD1.4 billion)) while improving profitability by increasing loan portfolio size, manage cost base and diversify fee base income. CCA will continue with these action plans to maintain the growth momentum of the company coupled with diversification of business channels to roll out personalised loan solution products. Nevertheless presently the Group has no plan to subscribe for additional equity interest in CCA but will continue to observe and monitor the overall performance of the company including the long-term sustainable profit generating capability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

- MAAG has been continuing its efforts to explore other investment opportunities to address PN17 status of the Company. MAAG has assessed and evaluated companies engaged in manufacturing, oil and gas, education, assisted reproductive technologies etc. Further announcement on the development will be made in due course.

Bursa Securities has granted an extension of time of up to 30 June 2017 for the Company to submit a regularisation plan to address the PN17 status of the Company.

REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE AND CONDITION

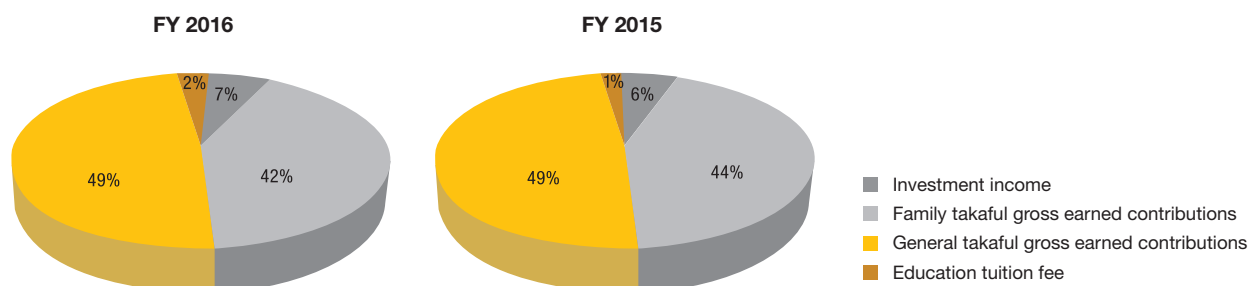
Key financial performance

(Amount in RM'000)	GROUP	
	FY2016	FY2015
Total Operating Revenue	297,438	566,058
Profit Before Taxation	267,554	32,626
Total Assets	564,132	1,450,937
Earnings Per Share (sen)	92.6	8.3
Dividend Rate (sen)	41.0	6.0
Net Assets Per Share (RM)	2.0	1.4

The following analysis of financial performance should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016. In the ensuing sections the Discontinued Operations represent subsidiaries disposed during the financial year under review, namely MAA Takaful and MAA Cards Sdn Bhd ("MAA Cards").

Review of Statements of Profit or Loss of the Group

In 2016, Total Operating Revenue was lower by 47.5% at RM297.4 million (2015: RM566.1 million), with Continuing Operations recorded a higher Operating Revenue of RM18.1 million (2015: RM16.7 million) while Discontinued Operations recorded a lower Operating Revenue of RM279.3 million (2015: RM549.4 million) arose from the disposal of takaful business held via MAA Takaful on 30 June 2016.



The Group recorded a higher Profit Before Taxation ("PBT") of RM267.6 million (2015: PBT RM32.6 million), with Continuing Operations recorded a Loss Before Taxation ("LBT") of RM19.3 million (2015: PBT RM30.8 million) whereas Discontinued Operations recorded a PBT of RM286.9 million (2015: PBT RM1.8 million).

The LBT recorded by Continuing Operations was due mainly to disposal costs of MAA Takaful totalling RM2.5 million, a present value adjustment of RM5.8 million made on the balance consideration of RM93.75 million ("Retained Consideration") from the disposal of MAA Takaful receivable on the third anniversary of the sale completion date, an allowance of RM1.7 million for impairment loss on other receivables based on the force sale value of securities held and management expenses of RM35.5 million (2015: RM38.2 million), partially offset by higher profit contributions from the Group's associated companies with total share of profit after taxation of RM4.7 million (2015: RM3.8 million) and also higher investment income of RM11.2 million (2015: RM9.6 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

Staff costs (including Executive Directors) of the Continuing Operations increased by 11.9% to RM19.8 million in 2016 (2015: RM17.7 million) where total salaries, bonus and defined contribution retirement benefits rose by 10.0% due to non-recurring bonus associated with the successful completion of the disposal of MAA Takaful and staff retrenchment payment arising from corporate restructuring.

The higher PBT for 2016 recorded by Discontinued Operations was mainly attributed by a gain of RM280.4 million from the disposal of MAA Takaful.

In 2016, the Group recorded Other Comprehensive Income (net of taxation) of RM13.8 million (2015: loss of RM13.5 million), driven mainly by unrealised foreign currency translation gain of RM10.3 million from subsidiaries with functional currency denominated in foreign currency and also net fair value gain of RM6.0 million from available-for-sale financial assets. The Group finances its foreign investments and operations by means of composition of Ringgit Malaysia and foreign denominated currencies; the Group does not hedge its foreign currency risk and monitors its exposure to transactional foreign currency fluctuation risk on an on-going basis.

The Group's significant reportable operating business segments are investment holding, education services, general insurance and retail mortgage lending. The performance of each significant operating business segments are attached in pages 36 to 41 of the Management Discussion and Analysis.

In 2016, the Group's Earnings Per Share has increased tenfold to 92.6 sen (2015: 8.3 sen), driven by the higher profit recorded for the financial year.

Review of Statements of Financial Position of the Group

Shown below the Statements of Financial Position:

	Group			
	FY2016		FY2015	
	RM'000	%	RM'000	%
Continuing Operations:				
Property, plant and equipment	3,686	0.7	3,737	0.3
Investment properties	19,824	3.5	19,356	1.3
Intangible assets	494	0.1	189	-
Associates	71,692	12.7	67,954	4.7
Financial assets	38,865	6.9	31,913	2.2
Trade and other receivables	138,864	24.6	35,280	2.4
Tax recoverable	252	-	331	-
Liquid assets - fixed and call deposits and cash at banks	290,455	51.5	182,858	12.6
Total Continuing Operations Assets	564,132	100.0	341,618	23.5
Total Discontinued Operations Assets	-		1,109,319	76.5
Total Assets	564,132	100.0	1,450,937	100.0
Total Continuing Operations Liabilities	12,301	100.0	19,077	1.9
Total Discontinued Operations Liabilities	-		994,019	98.1
Total Liabilities	12,301	100.0	1,013,096	100.0
Net Assets	551,831		437,841	

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

Total Assets

The Group's Total Assets stood at RM564.1 million as at 31 December 2016 solely from the Continuing Operations, compared to 2015 of RM1.5 billion of which Total Assets from the Continuing and Discontinued Operations were RM341.6 million and RM1.1 billion respectively.

For the Continuing Operations the increase of 65.1% in 2016 Total Assets over the previous year was due mainly to growth in the carrying value of Associates, financial assets, other receivables and liquid assets held in fixed and call deposits and cash at banks.

i) Associates

The carrying value of Associates increased by 5.4% to RM71.7 million as at 31 December 2016 (2015: RM68.0 million), driven by the higher share of profit after tax totalling RM4.7 million (2015: RM3.8 million) from both associated companies, namely MAAGAP and CCA. In 2016, MAAGAP and CCA contributed profit after tax of RM3.2 million (2015: RM2.5 million) and RM1.5 million (2015: RM1.3 million) respectively to the Group.

ii) Financial Assets

The Group's Financial Assets comprise financial investments at fair value through profit or loss ("FVTPL") and available-for-sale ("AFS"). As at 31 December 2016, the FVTPL and AFS financial investments accounted for 5.4% (2015: 6.1%) and 94.6% (2015: 93.9%) respectively of the Group's Financial Assets.

The higher AFS financial investments was due mainly to the purchase of a 4.4% interest in Altech Chemicals Ltd ("Altech") for RM3.1 million in August 2016, a strategic investment in a company listed on the Australia Stock Exchange presently progressing in its mining and high purity alumina production development project. Since acquired, the Group has recorded fair value gain of RM2.0 million on Altech in the AFS reserve.

iii) Other Receivables

As at 31 December 2016, the Group's Other Receivables increased by nearly fourfold to RM138.9 million (2015: RM35.3 million) consist mainly of the following:

- Retained Consideration of RM93.75 million from the disposal of MAA Takaful receivable on the third anniversary of the sale completion date falling on 30 June 2018, before an accounting present value adjustment of RM5.8 million.

Under the sale and purchase agreement, the Retained Consideration would be used to settle Zurich's claims for breach of representations and warranties and also third party claims against MAA Takaful during the warranty period. As at 31 December 2016, the Group has not been notified of any claim.

- Proposed subscription of RM27.3 million ("Subscription Sum") made to MAAGAP to subscribe for additional 300 million shares therein which is pending the approval from the regulatory authority in the Philippines.
- An amount of RM20.0 million (2015: RM20 million) ("Extended Sum") due from Pima Pembangunan Sdn Bhd ("Pima") being the amount extended with regards to the Company's obligations to obtain and deliver the individual strata title for Block A of Prima Avenue Klang ("PAK") to Zurich under the conditions precedent in the Settlement Agreement signed with Zurich in 2011 on the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad). The Extended Sum is secured by identified unsold retail and office units in Block B, unsold car park parcels and unbuilt Block C located at PAK ("Securities"). In view of Pima has failed to realise the Securities under the agreed sale plan to settle the Extended Sum, the Company taking into consideration the existing soft property market has made a total impairment loss of RM8.7 million (2015: RM7.0 million) on the Extended Sum based on the force sale values of the Securities conducted by independent professional valuers.

iv) Liquid Assets - Fixed and call deposits and cash at banks

The Group's Liquid Assets grew by 58.8% to RM290.5 million (2015: RM182.9 million), mainly contributed by the sale proceed received from the disposal of MAA Takaful during the financial year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

Total Liabilities and Equity

Total Liabilities and Equity of the Continuing and Discontinued Operations totalling RM564.1 million (2015: RM456.9 million) and RM Nil (2015: RM994.0 million) respectively as at 31 December 2016.

For the Continuing Operations, Total Liabilities decreased by 35.6% to RM12.3 million (2015: RM19.1 million) as at 31 December 2016. The higher Total Liabilities in 2015 was attributed by an amount of RM9.3 million being balance proceeds from the disposal of MAAKL Mutual Bhd ("MAAKL") a former 55% subsidiary held by MAA Corporation Sdn Bhd ("MAA Corp"), deposited in escrow account in the name of MAA Corp payable to the other previous 45% shareholders of MAAKL. The said balance proceeds were released from the escrow account in January 2016 under the terms of the sale and purchase agreement and were paid to the other previous 45% shareholders of MAAKL.

On another note, the Equity/Shareholders' funds of the Continuing Operations increased by 26.0% to RM551.8 million (2015: RM437.8 million) contributed by the profit recorded for the financial year, partially offset by total dividend payout of RM117.7 million.

As at 31 December 2016, Net Assets per Share stood at RM2.0 (2015: RM1.4).

GROUP'S FINANCING, LIQUIDITY AND CAPITAL MANAGEMENT

As at 31 December 2016, the Group is in a healthy financial position with zero debt and strong liquidity level.

The Group's capital management objectives are aimed to ensure there is adequate funding for meeting the following at the business segment level:

- business operations and growth
- supervisory authorities' capital requirements if applicable
- preservation of capital for new investment opportunities and rewarding the shareholders.

During the financial year under review, the Group has undertaken the following key capital initiatives:

- For the Share Buy Back exercise carried out to support the price of MAAG shares and preserved the fundamental value of the Company, the Company has utilised its internal funds to purchase a total 18,665,700 ordinary shares from the open market at an average price of RM0.94 per share at a total purchase consideration of RM17.6 million. The Company has held the shares bought back as treasury shares.

On 1 December 2016, the Company has cancelled the whole 19,174,500 treasury shares. Accordingly the Company's issued share capital was diminished by the cancellation of the treasury shares.

- As mentioned in earlier section, MAAIA has injected the Subscription Sum into MAAGAP to subscribe for additional shares therein. Upon obtaining the approval of the regulatory authority in the Philippines for the shares subscription, MAAIA's equity interest in MAAGAP will increase from the present 40% to 70% thereby making it a subsidiary of the company and Group.

Still on MAAGAP, the company has met both the net worth and capital adequacy ratio requirements set by the Philippines supervisory authority for its general insurance business as at 31 December 2016.

On capital expenditure, the property, plant and equipment held by the Group's Continuing Operations stood at RM3.7 million (2015: RM3.7 million) as at 31 December 2016. In 2017, the Group does not expect to incur significant capital expenditure in its existing business segments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

DIVIDEND POLICY

In 2014, the Board resolved to pay annual dividend at the rate of 6.0 sen per share ("Annual Dividend") to remunerate shareholders for their support, subject always to the availability of cash after the funding requirements for business operations and reserve for new investments have been met.

During the financial year under review, the Company has paid interim dividends total 41.0 sen (2015: 6.0 sen) per ordinary share under the single-tier dividend system. The higher dividend above the Annual Dividend included an interim special dividend of 35.0 sen per ordinary share which was conditional upon the completion of the disposal of MAA Takaful.

For the interest of dividend continuity, the Board would in its best efforts maintain the Annual Dividend. Notwithstanding this, moving into 2017 the Board will continue to re-evaluate the dividend policy of the Company and make the necessary changes in light of the needs to acquire new investments as part of the regularisation plan to address the PN17 status of the Company.

Towards this end, the Board has declared the payment of a first interim dividend of 6.0 sen per share under the single-tier dividend system in respect of the financial year ending 31 December 2017 payable on 31 March 2017.

ANTICIPATED OR KNOWN RISKS

The Group's activities are exposed to variety of risks, including the risk of fraud, strategic and business risks. The Group's overall risk management objective is to ensure that the Group creates value for its shareholders whilst minimizing potential adverse effects on its performance and positions. The Group operates within an established risk management framework and clearly defined policies and guidelines that are approved by the Board.

The risks that most significantly affect the Group as a whole during 2016, the discussion of its impact to the Group's business and performance together with the Group's strategies to mitigate the identified risks forms as part of the Statement of Risk Management and Internal Control of this Annual Report on page 54 to 58.

OUTLOOK FOR 2017

Amidst the challenging economic environment in 2017, the Group will continue its current efforts to explore new investment opportunities to prepare the PN17 regularisation plan for submission to Bursa Securities for approval. In this regards, the Group will look at new businesses that fit the corporate objectives, risk appetites and are within the available financial capacity to acquire. Further announcement of the development in this area will be made by the Group in due course.

Concurrently the Group will also focus on the development of the general insurance business in the Philippines via MAAGAP and the retail mortgage lending and loan securitisation business in Australia via CCA to deliver quality growth and sustained profitability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

PERFORMANCE BY OPERATING BUSINESS SEGMENTS

BUSINESS SEGMENT – INVESTMENT HOLDINGS

1) Business Operations Review

Investment Holdings comprised of the Company and its subsidiaries, namely MAA Corp, MAAIA, MAA International Investments Ltd, MAA International Corporation Ltd and Columbus Capital Singapore Pte Ltd whose principal activities are investments mainly in shares of subsidiaries and associated companies and investment properties held overseas primarily for capital appreciation.

2) Financial Performance

Key financial performance

(Amount in RM'000)	FY2016	FY2015
Total Operating Revenue	11,366	9,532
Profit Before Taxation	259,451	24,422

Total Operating Revenue comprised mainly of interest income grew 20.0% to RM11.4 million (2015: RM9.5 million), on the back of increase in funds during the financial year for fixed and call deposits with licensed banks earning higher weighted average interest rate at 4.5% (2015: 3.5%) per annum.

In 2016, the Investment Holding segment recorded a PBT of RM259.5 million (2015: RM24.4 million) contributed by gain of RM280.4 million and RM1.0 million respectively from the disposal of MAA Takaful and prepaid card business held via MAA Cards, coupled with a fair value gain of RM2.0 million on overseas investment properties. The PBT in 2015 included a deconsolidation gain of RM48.3 million from ex-subsidiary, PT MAA General Assurance ("PT MAAG") which had commenced shareholders voluntary winding up in September 2015.

Nevertheless the 2016 gains were partly offset by disposal cost of MAA Takaful totalling RM2.5 million, allowance for impairment loss on other receivables of RM1.7 million provided based on force sale value of securities conducted by independent professional valuers and lastly management expenses total RM23.5 million (2015: RM29.0 million). The management expenses in 2015 included provision for liquidation expenses of PT MAAG and impairment loss on amount due from PT MAAG totalling RM5.7 million and RM1.6 million respectively.

At end December 2016, Total Assets stood at RM557.2 million (2015: RM335.1 million) where 51.6% comprised of low risk liquid assets in fixed and call deposits, cash and bank balances. Investment in low risk liquid assets minimise exposure to mark-to-market risk and ensure capital is preserved for business operations and growth and new investment opportunities.

3) Sustainability and Strategic Direction

Since the disposal of MAA Takaful, the Investment Holding segment has intensified its efforts in the search for new investment opportunities that fits the corporate objectives, risk appetites and is within the available financial capacity of the Company. All these measures are undertaken with the objectives to meet the Board's intention to maintain the listing status of the Company in light of its current PN17 status under the Listing Requirements of Bursa Securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

BUSINESS SEGMENT – EDUCATION SERVICES

1) Business Operations Review

Education Services held via subsidiary Kasturi Academia Sdn Bhd (“Kasturi”) (formerly known as Pusat Tuisyen Kasturi Sdn Bhd) came into the Group following a debt settlement arrangement between subsidiary MAA Credit Berhad engaged in hire purchase, leasing and other financing activities and its non-performing loan debtor back in October 2012.

Kasturi provides private tuition to students taking the Malaysian National curriculum through its nine (9) centres in the Klang Valley with a pool of 70 full time and part time tutors. Private tuition is a highly competitive business given the wide and numerous players in a crowded market particularly the many non-registered individuals with low operating costs.

2) Financial Performance

Key financial performance

(Amount in RM'000)	FY2016	FY2015
Total Operating Revenue	6,536	6,804
Profit/(Loss) Before Taxation	(55)	691

Total Operating Revenue consists of tuition fee income recorded a 4.4% decrease to RM6.5 million (2015: RM6.8 million) in 2016 arose from reduction in the number of enrolled students.

Education Services segment recorded a LBT of RM55,000 in 2016 (2015: PBT of RM691,000), caused mainly by intense market competition in terms of pricing and student enrolment, increasing tutors, advertisement, tuition centres rental and maintenance costs which have eroded the profit margin.

Total Assets base are not significant for the Education Services segment in view that it is a relatively capital light business. The Education Services segment is also debt free and self-funding with fees collection in cash is able to fund the business operations thus far.

3) Sustainability and Strategic Direction

The immense market competition has taken a toll on the Education Services segment. Moving forward we expect the operating environment to remain highly competitive and challenging given changes in the education landscape in Malaysia with the sprouting of home schools and private schools offering alternative curriculum.

In 2017, we are looking at measures to reduce costs at identified areas, continuing marketing efforts to increase students' enrolment, restructuring of human capital and commence the roll-out of new tuition services for IGCSE curriculum at selected tuition centres to diversify fee base. We hope with these measures, the Education Services segment will either breakeven or able to reduce its loss in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

BUSINESS SEGMENT – RETAIL MORTGAGE LENDING

1) Business Operations Review

CCA (a 48.0% associated company incorporated and operating in Australia) commenced operations in 2006 and grew considerably during the next 12 months. By the end of 2007, CCA had originated AUD350 million mortgage portfolio and had over AUD600 million funds under management prior to the Global Financial Crisis ("GFC") in 2008.

Through 2008 to 2010, CCA consolidated its asset position and balance sheet. During this period, the company established Columbus Capital Funds Management seeking to diversify areas of business. In 2011 - 2012, CCA perused various portfolio acquisitions and had successfully purchased Origin Mortgage Management Services with the AUD2.3 billion prime mortgage book and the associated white label distribution business from the ANZ Banking Group.

CCA sources its lending funds from domestic and offshore banks and its securitisation program via the capital markets.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

2) Financial Performance

Key financial performance

(Amount in RM'000)	FY2016	FY2015
Total Operating Revenue	258,133	204,698
Profit Before Taxation	5,639	3,771
Group's share of Profit After Taxation	1,520	1,311

CCA's Operating Revenue consists of loan interest and fee income. For 2016 the Operating Revenue grew to RM258.1 million, a 26.1% increase compared to 2015 contributed by competitive pricing and growth on the loan portfolio. CCA has recorded a commendable double-digit growth in loan origination with a total origination of AUD749.0 million, a rewarding outcome from focusing on major loan portfolio acquisitions.

CCA registered a higher PBT from RM3.8 million in 2015 to RM5.6 million in 2016, driven mainly by the growth in Operating Revenue and improvement in net interest margin at 1.04% attributed by lower finance costs and commission expenses, more than out-weight the 3.3% increase in operating expenses due to the organic growth. On operating expenses, staff costs have remained static due to CCA's outsourcing back-office model. The outsourced processing and back office administrative functions continued to grow year-on-year by 8% enabling CCA to adapt to market and resource capacity demands.

Liquidity management is critical to fund CCA's business operations. On credit management, CCA's loan receivables arrears for +31 days are tracking at 0.96% of the total portfolio, a decrease of 44% compared to previous year and well below the industry trend of 1.15% per Standard & Poor's Performance Index. CCA will continue its effort in active loan receivable arrears management under the company's risk management framework.

On both warehouse and term markets to provide funding for its mortgage program and meeting debt obligations, CCA has in place funders from domestic banks and subordination providers cum issuance of Residential Mortgage-Backed Security ("RMBS") bonds via public and private placements. Securitisation is an integral part of CCA funding strategy to fund business growth and provide stable net interest margin. To-date, CCA's total warehouse capacity exceeds AUD1.2 billion and it has issued eight (8) bond series with over AUD1.8 billion term funding.

Being an associated company, the Group applies equity accounting for its investment in CCA. For the financial year under review, CCA has contributed a higher share of Profit After Taxation total RM1.5 million (2015: RM1.3 million) to the Group.

3) Sustainability and Strategic Direction

The key focus areas for CCA moving forward include amongst others:

- Continue to pursue strategic mortgage asset acquisitions that meet business synergies to boost the funds under management
- Diversify into other consumer asset classes beyond core home loan lending to expand revenue streams by leveraging on the present management and servicing capabilities
- Planned annual RMBS term issuance subject to market conditions to ensure there is sufficient capital to support business growth
- Continue with risk base pricing for competitive product offering to achieve higher yield returns
- On-going enhancement and development of risk management framework in light of the changing regulatory requirements and for better management of risks in the likes of cyber security, capital and credit risks etc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

BUSINESS SEGMENT – GENERAL INSURANCE

1) Business Operations Review

The Group's General Insurance business in the Philippines held via associated company MAAGAP offers a wide range of products to both retail and corporate clients. The product offerings cover fire, motor, marine, personal accident, bond, engineering and general accident. MAAGAP distributes its products mainly via agency network, brokers and banks. MAAGAP has been steadily growing its business over the past few years and ranked a credible 12th in terms of gross premium written in 2016 among a total of 67 general insurance players in the Philippines.

2) Financial Performance

Key financial performance

RM'000	FY2016	FY2015
Gross premiums written	137,094	114,245
Underwriting surplus	21,998	15,669
Investment income	5,590	2,380
Profit Before Taxation	10,371	7,657
Loss ratio in %	46.0%	46.0%
Commission ratio in %	28.0%	30.8%
Group's share of Profit After Taxation	3,208	2,479

In 2016, total Gross Premiums Written grew 20.0% driven mainly by increase in the production of both motor and non-motor classes of business. The motor and non-motor businesses contributed 41.2% (2015: 38.7%) and 58.8% (2015: 61.3%) respectively of the total Gross Premiums Written in 2016. During 2016, the major factors driving the business growth were the bullish Philippine economy, increase in overall car sales and uptrend of infrastructure development and construction projects that occurred throughout the Philippines.

MAAGAP registered a higher PBT of RM10.4 million in 2016, a 35.1% increase over RM7.7 million in 2015. The higher profit was driven mainly by the increase in earned premiums and growth in both underwriting surplus and investment income at 40.4% and 134.9% respectively. These improvements have out-weighted the increase in management expenses by RM2.4 million from RM15.3 million in 2015 to RM17.7 million in 2016, mainly increase in staff costs and EDP expenses. Staff costs rose by 17.1% in 2016 as MAAGAP continued with recruitment drive necessary to support its business growth and also staff retention and development efforts to remain attractive to quality talents with insurance skills and competencies.

Underwriting Surplus stood at RM22.0 million (2015: RM15.7 million), contributed mainly by strong growth in premiums earned and an overall stable combined loss and commission ratios at 74.0% (2015: 76.8%). All motor and non-motor classes of business except general accident had registered underwriting surplus.

In 2016, the loss ratio remained constant at 46.0%, same as 2015. The loss ratio for motor class was higher at 54.9% (2015: 51.5%) during the financial year under review, mainly due to increase in the number of motor car claims in 2016 (9,000+ claims) as against 2015 (6,000+ claims) aggravated by the increase in the cost of spare parts and repair. Nevertheless the loss ratio for non-motor business has improved to 38.3% (2015: 39.9%), driven mainly by fewer occurrences of natural catastrophes and incidence of fire losses. On top of these market factors, regular review of claims by MAAGAP's management has resulted in a number of claims being revised and settled at lower amounts.

The net commission ratio has also recorded an improvement in 2016 at 28.0% compared to 2015 of 31.4%, on the back of the intense market competition in motor car where lower motor car premium rates were offered by the general insurance companies to the end consumers, thereby leading to lower net commission ratio being paid out to the intermediaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

MAAGAP recorded a total Investment Income of RM5.6 million – up 133.3% compared to RM2.4 million in 2015, on the back of higher amount of investible funds from RM119.3 million in 2015 to RM171.2 million in 2016, including the RM27.3 million Subscription Sum received from the Group in December 2016. During 2016, MAAGAP registered a higher investment yield of 4.3% (2015: 2.8%) contributed mainly by increase in gain from the disposal of investments, interest and dividend income on combined basis total RM5.6 million (2015: RM2.4 million), boosted by the investment approach to invest in higher yielding fixed income and dividend investments with acceptable investment grades.

On liquidity and funding resources to support business growth and operations including claims payment to insured, MAAGAP applies assets and liabilities matching in its investment policies, close credit monitoring of receivables and cash requirement projections to ensure there is sufficient liquid assets are held to meet its obligations.

Under the New Insurance Code issued by the Insurance Commission (“IC”) of the Philippines, insurance companies in the Philippines are required to comply with both the Net Worth requirement at increasing levels at each interval of three (3) years until 31 December 2022 and the Risk-Based Capital (“RBC”). As at 31 December 2016, MAAGAP met both the Net Worth and RBC at levels well above the minimum required. The IC has implemented a new RBC framework (“RBC2”) with risk-based approach to solvency effective 1 January 2017. As at 31 December 2016, MAAGAP has conducted a simulation for RBC2, the company also fulfilled RBC2 at level above the minimum required.

Similar to CCA, the Group applies equity accounting for its investment in MAAGAP being an associated company. For the financial year under review, MAAGAP has contributed a higher share of Profit After Taxation total RM3.2 million (2015: RM2.5 million) to the Group.

3) Sustainability and Strategic Direction

Moving into 2017, MAAGAP shall ride with the waves of progress in the Philippines where the country's Gross Domestic Products is projected to grow at 7.1% brought about largely by the steady influx of funds in the country through overseas foreign workers remittances, business process outsourcing earnings and lastly new infrastructure projects driven by the government.

While tapping into the favourable economic conditions, MAAGAP will continue its organic growth momentum by focusing on expanding customer base through new networks and markets from the eleven (11) branches beyond the Metro Manila, recruit quality and productive agency force and establish new distribution channels.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") of MAA Group Berhad ("MAAG" or the "Company") is pleased to present this statement on the Company's corporate governance practices and the Company's application of the principles and compliance with the recommendations under the Malaysian Code on Corporate Governance 2012 ("Code") for its financial year ended 31 December 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Company is led by its Board which has the overall responsibility to provide strategic guidance and effective oversight of the Company towards effectively achieving good governance and protection of its shareholders' interest.

1.1 Clear Functions of the Board and Management

To ensure the effective discharge of its function and responsibilities, the Board had established a Board Charter which clearly sets out the relevant matters reserved for the Board's approval, as well as those that are delegated to the Board Committees and Chief Executive Officer.

Key matters reserved for the Board's decision include, inter alia, the following:

- Acquisition and disposal of assets of the Company or of its subsidiaries that are material in nature;
- Investment in new business;
- Divestment/sale of existing business;
- Related-party transactions of a material nature;
- Authority levels for core functions;
- Outsourcing of core business functions; and
- Corporate proposal on fundraising.

The Board Committees are authorised by the Board to undertake the duties and responsibilities in accordance with their respective Terms of Reference. The Chairman of the respective Board Committees reports its recommendation to the Board on matters deliberated in the Board Committee meetings.

1.2 Roles and Responsibilities of the Board

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to adding long-term value to the Company's shares. The Board will also direct and supervise the management in relation to the business and affairs of the Company.

In discharging its stewardship responsibilities, the Board has formally assumed the six (6) specific responsibilities as follows:-

- Reviewing and adopting a strategic plan for the Company;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management;
- Developing and implementing an investor relations programme or shareholders communication policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board has continued in the financial year 2016, to review, assess and oversee the progress of the Group's internal restructuring including:

- assessing the Company's PN17 regularisation plan to increase the Group's equity interest in Columbus Capital Pty Ltd ("CCA") from 47.95% to 55%. The Group is currently monitoring the profitability of the associate company and its long-term structure.
- formulating the regularisation plan to regularise its financial condition for submission to Bursa Malaysia Securities Berhad ("Bursa Securities") as part of the requirement under PN17. An application for an extension of time to comply with Paragraph 8.04(3) and PN17 of the Listing Requirements has been submitted to Bursa Securities on 20 December 2016. Bursa Securities has, vide its letter dated 16 February 2017, granted an extension of time of up to 30 June 2017 to submit a regularisation plan to Bursa Securities.
- review the proposed subscription to increase the Company's subsidiary, MAA International Assurance Ltd. ("MAAIA") equity interest in MAA General Assurance Philippines, Inc. ("MAAGAP"). MAAIA had on 6 December 2016 remitted a sum of PHP300 million to subscribe for additional 300,000 new shares with par value of PHP1,000 per share in MAAGAP. Upon the completion of the proposed subscription, MAAIA's equity interest in MAAGAP will increase from the present 40% to 70% thereby making it a subsidiary of the company and Group.
- review the sale of MAA Takaful Berhad ("MAA Takaful") to Zurich Insurance Company Ltd. ("Zurich"). MAAG had, on 26 April 2016, obtained the approval of the Minister of Finance Malaysia, vide Bank Negara Malaysia ("BNM")'s letter dated 27 April 2016, for the disposal of the Company's 75% equity interest in MAA Takaful, pursuant to Section 101 of the Islamic Financial Services Act, 2013. Share purchase agreement was entered with Zurich on 4 May 2016. On 30 June 2016, the Company completed the disposal of MAA Takaful.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

1.3 Code of Conduct

The Group's Code of Conduct which sets out standards of business and ethical conduct based on general principles including, amongst others, integrity, honesty, fair dealing, confidentiality and diversity which guides all directors and employees in the conduct of their business and that of the Group, in order to enhance the standard of corporate governance and behaviour.

1.4 Strategies Promoting Sustainability

In continuation of the Group's long-term commitment towards promoting sustainability, the Group continues to implement the various initiatives introduced in prior years as disclosed in the previous Annual Reports. The Board is continually mindful of the environmental, social and governance aspects in its decision making for the Group's business and operations. Further details of the sustainability initiatives and activities are set out in the Corporate Social Responsibility statement of this Annual Report.

1.5 Access to Information and Independent Professional Advice

The Board is given unrestricted access to the advice and services of the Company Secretary and the Senior Management staff in the Group, and has full and unlimited access to any information pertaining to the Group. Board papers will be circulated to all Board members five (5) working days before the Board Meeting. This is to ensure the Board receives the information in time to prepare adequately for the Board meeting.

The Directors have direct communication channels with the Internal and External Auditors, and are able to convene meetings with the External Auditors whenever deemed necessary.

The Directors are also allowed under the Company's procedure to obtain independent professional advice concerning the conduct of business and affairs of the Company in order to discharge their duties effectively.

- A Director seeking professional or expert advice concerning the conduct of business and affairs of the company may make such request to the Board during the Board Meeting of the company or refer such request to the company secretary by e-mail for consideration of the Board members.
- Upon receiving such request from any Director, the Company Secretary shall circulate the request to all Board members and the Board shall make a decision on the request accordingly.
- Where a decision has been made by a majority of the Board for professional or expert advice to be obtained, the matter shall be referred to a suitable Professional Advisor at the recommendation of the MAAG Exco/Bizco and approval of the Board.
- The opinion and/or report issued by the Professional Advisor shall be circulated to all members of the Board.
- The cost of the professional or expert advice shall be borne and paid by the respective subsidiaries of the company.

1.6 Qualified and Competent Company Secretary

The Company Secretary advises the Board in relation to the Company's Board policies and procedures and compliance with the relevant regulatory and listing requirements. The Company Secretary ensures that all Board Procedures are followed, and the Company complies with all applicable statutory and regulatory rules.

The Company Secretary undertakes, inter-alia, the following functions:-

- responsible for advising the Directors of their duties and responsibilities and obligations to disclose their interest in securities, prohibition on dealing of securities during the closed period, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related party transaction as well as disclosure of necessary information as required under the relevant legislations;
- preparing the agenda with the Chairman and Chief Executive Officer and notifying all Directors of Board Meetings;
- attends all Board and Board Committee Meetings and ensures that all meetings are properly convened and proceedings of the Board and Board Committee Meetings and decisions thereof are properly recorded, communicating decision of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee Meetings;
- providing full access and services to the Board;
- assisting the Board with interpreting legal and regulatory acts related to the Code, Listing Requirements and other related regulations and developments;
- advising the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis;
- handling Company share transactions and other duties as prescribed under the relevant legislations;
- ensuring the appointment of new Directors, re-appointment and resignation of Directors are in accordance with the relevant legislations;
- ensuring execution of assessment for Directors and the Board/Board Committees;
- ensuring availability of information required by new Directors for the proper discharge of their duties;
- assisting the Board and Chairman on the implementation of the Code;
- monitoring compliance with the principles and recommendations of the Code and informing the Board of any breaches; and

STATEMENT ON CORPORATE GOVERNANCE

(continued)

- ensuring high standard of governance by keeping abreast of the latest enhancement in corporate governance and changes in the legal and regulatory framework.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its duties.

1.7 Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles and responsibilities which are in line with the principles of good corporate governance. The Board will continue to review the Board Charter periodically as may be necessary in order to ensure it remains updated should there be changes to the Company's policies, procedures and processes or the relevant legislations and regulations.

2. STRENGTHEN COMPOSITION

The Company is managed through the Board which currently comprises three (3) Executive Directors (including the Chairman), one (1) Non-Independent Executive Director and four (4) Independent Non-Executive Directors. Dedicated Board Committees were also established and are chaired by Independent Non-Executive Directors who exercise skillful leadership with in-depth knowledge of the relevant industry. The three (3) Board Committees appointed by the Board namely:

- Audit Committee;
- Risk Management Committee; and
- Nomination and Remuneration Committee.

In ensuring that the composition of the Board is strengthened, the Board has entrusted the Nomination and Remuneration Committee to implement policies and procedures with respect to selection and nomination of Board and Board Committees.

2.1 Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee ("NRC") as at the date of this Annual Report are as follows:

Chairman : Tan Sri Datuk Seri Razman Md Hashim - Independent Non-Executive Director

Members : Dato' Narendrakumar Jasani A/L Chunilal Rugnath - Independent Non-Executive Director
Tan Sri Ahmad bin Mohd Don - Independent Non-Executive Director
Onn Kien Hoe - Independent Non-Executive Director

The duties and responsibilities of the NRC are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors, Chief Executive Officer/Group Managing Director (CEO/GMD) and Senior Management and the appointment and evaluation of the performance of Directors.

The principal Terms of Reference of the NRC are as follows:

- To review and determine the mix of skills, experience and other qualities (including core competencies of Non-Executive Directors) on an annual basis;
- To assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on an annual basis;
- To recommend a framework of remuneration for Directors, CEO/GMD and key senior officers of the Company and its subsidiary companies; and
- To recommend specific remuneration packages for Directors, CEO/GMD and key senior officers of the Company and its subsidiary companies.

The NRC meets at least once a year, with additional meetings convened as and when necessary. The NRC met five (5) times during the financial year 31 December 2016 to review the results of the evaluation performed on the Board and Board Committees as well as to review, assess and recommend to the Board the remuneration package of the CEO/GMD, Executive Directors and Senior Management of the Company and its subsidiary companies.

2.2 Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

2.2.1 Board Effectiveness Assessment

The NRC is guided by its Terms of Reference and the Procedure for the Appointment and Removal of Directors and Review of the Effectiveness of the Board/Individual Directors, which sets out the various criteria and process for recruitment and annual assessment of directors.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

The NRC shall carry out annual assessment of the effectiveness of the Board as a whole, the various committees and individual directors. In order to assess the effectiveness of the Board, the NRC shall consider the following:-

The matter discussed at the Board meeting should be specific and of major importance to the Company. They shall make recommendation to the Board for adoption of a schedule of matters specifically reserved for the Board's decision. The schedule of matters shall at least include the following matters:-

- acquisition and disposals of asset by the Company or of its subsidiaries that are material in nature;
- related-party transactions of a material nature;
- authority levels for core functions of the Company;
- corporate policies on investment; and
- the outsourcing of core business functions.

This schedule of matters shall be updated from time to time to ensure that important matters are brought to the attention of the directors, deliberated and agreed to enhance the effectiveness of the Board.

In addition to the schedule of matters specifically reserved for its decision, the Board should assume the specific responsibilities as highlighted under 1.2 Roles and Responsibilities of the Board.

The effectiveness of the Board falls on the extent to which it fulfils the specific responsibilities.

In making an assessment of the effectiveness of an individual Director, the NRC shall take into account of:-

- the contribution made by that Director to the decision making process;
- his attendance at Board meetings;
- his involvement in various committees or special projects; and
- his mark against the benchmark set by the Board.

2.2.2 Appointment and Re-election

The NRC is guided by the Procedure for the Appointment and Removal of Directors which has been approved by Board. The Board nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned Director vis-a-vis the need of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.

The NRC, in assessing the suitability of an individual and proposing candidate for appointment to the Board, take into accounts:-

- Skills, knowledge, expertise and experience.
- Time commitment, candidate's other commitments and resources for input to the Board.
- The relationship of the candidate with another Director or major shareholder of the Company.
- The candidate must be a fit and proper person. Each Director is required to make quarterly declaration that they are not disqualified under the relevant law and fulfil fit and proper criteria.

For financial year ended 2016, there has been no appointment of new Independent Director to the Board. Whilst the Board is of the view that the current directorship is adequate with the appropriate mix of skills and experience required for the Group, it is mindful of the recommendation 3.5 of the Code, and the NRC continues to assess suitable candidates for recommendation to the Board. The Board has conducted a self-assessment on 13 April 2017 to assess the Board Committees, the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board during the year. The assessment covers inter alia the effectiveness of the Board structure and composition, Board operations and roles and responsibilities of the Board and the Board Committees.

2.2.3 Gender Diversity

The Company sees the participation of women as being fundamental to the achievement of equal opportunity in the workplace and has reviewed and continued to implement its Policy on Diversity and Non Discrimination. The relatively large number of female employees in the Group is proof that the gender diversity approach has long been in practice in the Group.

The Company further believes, by virtue of being the apex body overseeing key issues as strategy execution, management of risks and governance, that Board diversity translates into a more effective Board.

The Board is of the view that membership of the Board should be dependent on each candidate's qualifications, age, skills, experience, core competencies, character, integrity and other qualities regardless of gender.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

2.3 Remuneration Policies

The Board is aware that fair remuneration is critical to attract, retain and motivate Directors. The NRC in discharging its responsibilities in the review of the Directors' remuneration considers various factors including the following:

- Directors' skills and experiences;
- Market rate for Executive Director's salary having regard to the nature of the Company's business;
- Evaluation conducted by the Nomination Committee with respect to the effectiveness and contribution of the Director concerned;
- Non-Executive Directors' time devoted to the Company's affairs; and
- Directors' experience and responsibilities undertaken.

The Remuneration of the Directors for the financial year ended 31 December 2016 is set out below:

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	22,500	303,750
Salaries	4,027,644	-
Bonus	1,980,212	-
Other Benefits	1,364,522	121,750
Total	7,394,878	425,500

The number of Directors whose total remuneration falls within the bands of RM50,000 is as follows:

Range of Remuneration	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	3
RM300,001 to RM350,000	1	-
RM1,500,001 to RM1,550,000	1	-
RM2,150,001 to RM2,200,000	1	-
RM3,350,001 to RM3,400,000	1	-

The following successive range of remuneration bands of RM50,000 is not applicable:

Below RM50,000
 RM150,001 to RM300,000
 RM350,001 to RM1,500,000
 RM1,550,001 to RM2,150,000
 RM2,200,001 to RM3,350,000

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

The Board conducts an annual self-assessment on the effectiveness of the Board and the Board Committees. The self-assessment includes assessment on the independence of the Independent Directors.

The Board values the independent and objective judgement brought by the Independent Directors to the Board, and recognizes that the independence of the Independent Directors is crucial to provide an unbiased and independent view, advice and judgement to take into account the interest, of not only the Group but also of shareholders, employees and communities in which the Company conducts business.

Based on the assessment conducted on 13 April 2017, the Board is satisfied with the level of independence demonstrated by the present Independent Directors and their ability to act in the best interest of the Company.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

3.2 Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years in accordance with the Code. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director being re-designated as a Non-Independent Director. In the event the Director is to remain as Independent Director, the Board shall first justify and obtain shareholders' approval.

The Board currently has two (2) directors, Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don, who will have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine (9) years.

The NRC has assessed and is satisfied with the ability of Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don to bring independence and objective judgement to Board deliberations, and recommends for them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:

- The Group has benefited from these long-serving Independent Non-Executive Directors who possessed detailed knowledge of the Group's business, standard operating procedures, internal controls and risks profile and have proven commitment, experience, competence and wisdom to effectively advise the Management from time to time.
- Tan Sri Datuk Seri Razman and Tan Sri Ahmad Mohd Don are independent in character and judgement, independent of management and free from any relationship or circumstances which are likely to affect or could affect their judgement or making of decisions in the best interest of the Company.
- Tan Sri Datuk Seri Razman and Tan Sri Ahmad Mohd Don had fulfilled the criteria under the definition of Independent Directors as stated in the MMLR of Bursa Securities, and thus they would be able to function as check and balance and bring an element of objectivity to the Board.
- Both of them have vast experience in the accounting and audit industry enabling them to provide the Board with a diverse set of experience, expertise and independent judgement.
- Tan Sri Datuk Seri Razman and Tan Sri Ahmad Mohd Don had devoted sufficient time and attention to their professional obligations for an informed and balanced decision making.
- They had consistently challenged management in an effective and constructive manner and provided an independent voice on the Board.
- Tan Sri Datuk Seri Razman and Tan Sri Ahmad Mohd Don had also exercised their due care and diligence during their tenure as Independent Non-Executive Directors of the Company and had carried out their professional duties in the best interest of the Company and shareholders.

Both Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don have abstained from the assessment deliberation and recommendation in respect of this matter. Throughout their tenure, it has been proven that Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don are able to provide an independent voice on the Board in challenging whilst participating in the Board's decision-making process, and the Group has benefited from their commitment, wisdom and oversight as they have in-depth knowledge of the Group's business and operations and vast experience in the accounting and audit industry.

3.3 Shareholders' Approval for the Re-appointment of Non-Executive Directors

During the Annual General Meeting held on 20 June 2016, shareholders' of MAA had approved Tan Sri Datuk Seri Razman Md Hashim and Tan Sri Ahmad bin Mohd Don to continue to act as an Independent Non-Executive Directors of the Company until the conclusion of the next Annual General Meeting ("AGM") of the Company.

3.4 Positions of the Executive Chairman and the Chief Executive Officer/Group Managing Director

The roles of Tunku Dato' Yaacob Khyra as the Executive Chairman and Datuk Muhamad Umar Swift as the CEO/GMD are distinct and separate, each has a clearly accepted division of responsibilities as specified in the Board Charter to ensure accountability.

The responsibilities of the Executive Chairman include providing leadership to the Board, to chair the shareholders' meeting and to act as the Group's ambassador within the domestic and international market. The Executive Chairman participates in management committee meetings and further works with the CEO/GMD on major strategic issues.

The CEO/GMD is responsible to ensure the execution of strategic goals, implementation of all decisions of the Board and the strategy adopted by the Board and assumes full accountability to the Board for all aspects of the Company's day-to-day operations and overall performance of the Group.

Based on the annual assessment conducted on 13 April 2017 and recommendation made by the NRC, the Board is of the view that Tunku Dato' Yaacob Khyra has been able to perform his role and responsibilities as the Executive Chairman without any impairment of objectivity and always in consideration of the best interests of the shareholders and all stakeholders.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

3.5 Composition of the Board

The Board is a balanced board with a complementary blend of expertise, with professional and business experiences relevant to the Group's business. These can be seen in the Board of Directors' profile section which illustrates the Directors' background and experiences.

The Board comprises of eight (8) members as at the date of this Annual Report, of whom four (4) are Independent Non Executive Directors. The present composition is in compliance with Chapter 15.02 of the Bursa Securities Listing Requirements.

The Board is chaired by an Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Independent Executive Director. At the moment, the Board is of the view that the Executive Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision-making in the Board without fear or favour. In addition, any decisions arrived by the Board are made on consensus. Despite this, the Board will endeavor that the composition of the Independent Directors comprise of more than one-third (1/3) of the Board to ensure balance of power and authority on the Board.

4. FOSTER COMMITMENT

4.1 Time Commitment

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 31 December 2016.

The Board has met six (6) times during the financial year ended 31 December 2016. The details of the attendance by each of the Directors for the financial year ended 31 December 2016 are as follows:

Members of the Board	Attendance	Percentage
Tunku Dato' Yaacob Khyra (Chairman)	6/6	100%
Datuk Muhamad Umar Swift	6/6	100%
Yeo Took Keat	6/6	100%
Tan Sri Datuk Seri Razman Md Hashim	6/6	100%
Tan Sri Ahmad bin Mohd Don	6/6	100%
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	6/6	100%
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	5/6	80%
Onn Kien Hoe	6/6	100%

An annual meeting calendar is prepared by the Company Secretary and circulated to all Directors before the beginning of every year which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

The NRC is guided by the Company's Procedure for the Appointment and Removal of Director and will take into consideration various criteria in assessing new appointment of directorships to the Company including the number of directorships already held by the candidate and candidate's time availability and other commitments.

4.2 Training

All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Securities. The Nomination and Remuneration Committee evaluates the training needs of the Directors and recommends trainings to each Director to enable the Directors to discharge their duties effectively and proficiently, taking into account the individual needs of each of the Directors.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

During the financial year ended 31 December 2016, the Directors have attended and participated in various programmes and forums which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors.

The programmes or forums attended by the Directors include, inter alia, the following:-

Members of the Board	Programmes / Forum
Tunku Dato' Yaacob Khyra	- Briefing on New Companies Bill 2015. - Enterprise Risk Management ("ERM"): Driving Organizational Sustainability, Agility and Resilience.
Datuk Muhamad Umar Swift	18th Malaysia Strategic Outlook Conference 2016. - FIDE Forum: Industry Briefing on Directors Register Implementation. - Summary of Key Issues to be Discussed for the 3rd BNM – FIDE Forum Annual Dialogue with the Governor of Bank Negara Malaysia: "Economic and Financial Services Sector: Trends and Challenges Moving Forward". - Corporate Governance Disclosure – The Interplay between CG, Non-Financial Information and Investment Decisions. - FIDE Core Programme – Module A (Bank) Risk Management Practices for the Financial Market in the 21st Century. - Briefing on New Companies Bill 2015. - FIDE Engagement Session. - Bursa Malaysia's Breakfast Series: Future of Auditor Reporting – The Game Changer for Boardroom. 2016 CPA Congress. - Advocacy Sessions on Management Discussion & Analysis ("MD&A") for Chief Executive Officers and Chief Financial Officers of Listed Issuers. - MIA International Accounts Conference 2016.
Yeo Took Keat	- Briefing on New Companies Bill 2015. - Corporate Governance Disclosure - The Interplay between CG, Non-Financial Information and Investment Decisions. - MIA International Accountants Conference 2016. - MIA - Companies Act 2016 - Key Insights and Implication for Directors / Shareholders.
Tan Sri Datuk Seri Razman Md Hashim	- Enterprise Risk Management. - The New Companies Bill 2015. - Directors' Induction Training & Crash Course on Takaful/Shariah Session. 19th National Housing & Property Summit 2016 (Revitalizing the Housing & Property Industry).
Tan Sri Ahmad bin Mohd Don	- Directors' Training/Briefing Session on New Companies Bill 2015, New and Revised Auditor Reporting Standards & Enhancements to PIDM Differential Levy Systems Framework for Insurance Companies. - FIDE Forum Talk "FinTech": Business Opportunity or Disruptor?"
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	- Briefing on New Companies Bill 2015. - Enterprise Risk Management ("ERM"): Driving Organizational Sustainability, Agility and Resilience.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

Members of the Board	Programmes / Forum
Dato' Narendrakumar Jasani A/L Chunilal Rugnath	- LHDN – CTIM Tax Forum. - MIA – Merger, Acquisition & Affiliation Seminar. - LHDN – CTIM National Tax Conference 2016. - MIA – Forum on Key Audit Matters. - MIA Future of Audit. - Grand Thornton – Global Conference. - Grand Thornton – Tax & Business Conference – Budget 2017. - CTIM – 2017 Budget Seminar. - MIA – MATA 20 17 Budget Seminar. - MIA – International Accounts Conference. - CTIM – Tax Planning & Issues for Property Developer & Investor. - CTIM – 2017 Budget Seminar. - Jabatan Audit Negara – “Were the Auditors Sleeping?”
Onn Kien Hoe	- An overview of latest development in Malaysian Financial Reporting Standards by Malaysian Institute of Accountants. - National Tax Conference 2016. - Directors' Induction Training & Crash Course on Takaful/Shariah Session. - International Experience Sharing on IFRS Implementation.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Financial Reporting Standards

The Company's annual financial statements and quarterly financial results are reviewed by the Audit Committee in consultation with the external auditors to ensure the reliability of the Company's financial statements in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965, before recommending for the Board's approval and submission to Bursa Securities for announcement.

5.2 Relationship with External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the external auditors, before recommending them to the shareholders for re-appointment in the AGM.

The Audit Committee convenes meetings with the external auditors without the presence of the Executive Directors and Management of the Group whenever it deems necessary.

During the financial year ended 2016, the Audit Committee had conducted two (2) meetings on 25 February 2016 and 24 November 2016 respectively with the external auditors without the presence of the internal Auditors and Management to discuss their audit plan, audit findings, financial statements and other matters that require the Board's attention.

During the year, the Audit Committee had assessed Messrs PricewaterhouseCoopers (“PwC”) and is satisfied with the suitability and independence of PwC as external auditors of the Company.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound Framework

The Board through the Risk Management Committee and the Audit Committee, continually reviews the adequacy and effectiveness of the risk management processes and internal controls in place within the various operating units with the aim of strengthening the risk management functions and internal controls across the Company and the Group.

The features of the Company's risk management framework and the internal controls system are as highlighted in the Statement on Risk Management and Internal Control in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

(continued)

6.2 Internal Audit Function

The Company has outsourced its internal audit function to KPMG Management and Risk Consulting Sdn Bhd beginning 2014, who has the relevant qualifications and is responsible in providing assurance to the Board via its periodical audit reports to the Audit Committee on the effectiveness of the internal controls.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure requirements, its designated corporate disclosure officer and appointed spokespersons for the Company and respective roles and responsibilities of its management and officers to ensure that material information disclosed by the Company is accurate, timely and complete.

7.2 Leverage of Information Technology for Effective Dissemination of Information

Shareholders and investors can access the Company's website at www.maa.my for the latest corporate information of the Group. The Company's website provides all relevant information about the Company including its announcements and annual reports and is accessible by the public. Its corporate governance section includes, amongst others, the Board Charter, Code of Conduct and Whistle Blowing Policy.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Communication with Shareholders

The Company is committed to provide timely and accurate information equally to all shareholders regarding the Company's financial situation, performance, strategies, activities and governance and adopt channels for disseminating information that are fair, timely and cost efficient.

The Board notes the recommendation 8.1 of the Code to take reasonable steps to encourage shareholders participation at the AGM. The Company's AGM is the primary platform for communication with the widest range of shareholders. The Company will use best endeavours to serve the notice of the AGM meeting to shareholders earlier than the minimum notice period of at least twenty one (21) days before the date of the meeting in order to allow the shareholders to make necessary arrangements to attend and participate either in person or by proxy.

The forthcoming AGM will be a good opportunity for proactive engagement and communication between the Board, shareholders and investors.

- Shareholders who are unable to attend are entitled to appoint a proxy i.e to attend, speak and vote on their behalf.
- The MAA Group website (www.maa.my) contains references to and notices about the AGM.
- Members of the Board, Senior Management as well as the external auditor of the Company are present at the AGM to address any question or consent that shareholders may have.
- The Chairman at the commencement of the AGM, informs shareholders of their right to vote by poll. The Company also took note of the recommendation on e-voting and will explore the suitability and feasibility of employing electronic means for poll voting in future.
- Shareholders are welcome to contact the Company at any time throughout the year. The contact information is available on the Company's website (www.maa.my).

8.2 Poll Voting

In line with the recent amendments to the Listing Requirements, the Company will implement e-voting for all the resolutions set out in the Notice of AGM at the AGM. In addition, the Company will appoint at least 1 scrutineer to validate the votes cast at the AGM.

In accordance with Article 91 of the Articles of Association of the Company, the Chairman of the meeting has a right to demand a poll with respect to all resolutions which are put to vote at the AGM as set out in the Notice of AGM. The poll voting process at the general meeting will be conducted in accordance with the provisions of the Articles of Association of the Company.

9. COMPLIANCE WITH CODE

The Board is satisfied that the Company has implemented the principles and recommendations under the Code and believes that all material aspects have been complied with reasonably and in the manner most suited and appropriate for the Company in the best interest of all stakeholders.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. Utilisation of Proceeds Raised from Corporate Proposal

During the financial year ended 31 December 2016, there were no proceeds raised by the Company from any corporate proposal.

2. Audit and Non-Audit Fees

During the financial year ended 31 December 2016, the following audit and non-audit fees were incurred for services rendered by the external auditors or a firm or corporation affiliated to them:

- (a) Audit fees paid or payable by the Group and the Company amounting to RM688,000 and RM275,000 respectively;
- (b) RM150,000 being fee for services in connection with the limited review of MAA Takaful Berhad ("MAA Takaful") (now known as Zurich Takaful Malaysia Berhad);
- (c) RM180,000 being fee for services as reporting accountants in connection with the proposed disposal of MAA Takaful;
- (d) RM390,000 being fee for services in connection with the completion account and agreed upon procedures in relation to the capital adequacy ratios of MAA Takaful;
- (e) RM30,000 being fee for the transfer pricing documentation services;
- (f) RM130,383 being fee for services in connection with tax advice on corporate restructuring; and
- (g) RM6,000 accrued by MAA Takaful, being fee for services rendered in connection with the agreed upon procedures report on returns to Perbadanan Insurans Deposit Malaysia ("PIDM") for the six (6) months ended 30 June 2016 prior to the disposal of the company.

3. Material Contracts

There was no material contracts (not being entered into in the ordinary course of business) entered into by the Group which involved Directors and Shareholders, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

(continued)

Recurrent Related Party Transactions of a Revenue or Trading Nature

On 20 June 2016, the Company sought approval for a shareholders' mandate for MAAG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 29 April 2016) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Listing Requirements of Bursa Securities.

The aggregate value of Recurrent Transactions conducted during the financial year ended 31 December 2016 are:

Transacting Party	Nature of Transaction	Related Party	Nature of Interest	Value of Transaction (1/1/2016 - 31/12/2016) RM '000
MAAG Group	Corporate secretarial and related services fees paid and payable	Trace Management Services Sdn Bhd ("Trace")	A company in which TY* and TYY* have deemed interest by virtue of their substantial interest in the Melewar Corporation Berhad, the substantial shareholder of Trace.	332
MAA Corporation Sdn Bhd ("MAA Corp")	Office service charge income	Melewar Equities Sdn Bhd ("MESB")	A company in which TY is deemed interested in MESB and MESB is a subsidiary of Khyra**. TY is the founder and ultimate beneficial owner of Khyra. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	12
		Melewar Industrial Group Berhad ("MIG")	TY and TYY are directors of MIG. TY is deemed interested in MIG by virtue of his indirect substantial interest in MESB, who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	18
MAA Corp	Office rental income	MESB	A company in which TY is deemed interested in MESB and MESB is a subsidiary of Khyra. TY is the founder and ultimate beneficial owner of Khyra. TYY is deemed interested in MESB by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	52
		MIG	TY and TYY are directors of MIG. TY is deemed interested in MIG by virtue of his indirect substantial interest in MESB, who in turn is the major shareholder of MIG. TYY is deemed interested in MIG by virtue of his family relationship with TY based on Section 122A(1)(a) of the Act.	80
MAA Takaful	Office rental income	Trace	A company in which TY and TYY have deemed interest by virtue of their substantial interest in The Melewar Corporation Berhad, the substantial shareholder of Trace.	51

Definition:

* TY is Tunku Dato' Yaacob Khyra

* TYY is Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

** Khyra is Khyra Legacy Berhad, being the holding company of MESB, Melewar Khyra Sdn Bhd and Melewar Equities (BVI) Ltd who are the substantial shareholders of the Company.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This statement on Risk Management and Internal Control is made pursuant to Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements which obliges the Board of Directors (“Board”) of a listed company to account for the state of its internal control system in the Annual Report.

The Malaysian Code on Corporate Governance 2012 (“Code”) also recommends that the Board should maintain a sound risk management and internal control framework in order to safeguard shareholders’ investments and the Group’s assets.

Pursuant to these requirements, the Board is pleased to present the following statement that is prepared in accordance with the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers” issued by Bursa Securities.

BOARD RESPONSIBILITY

The Board reaffirms its overall responsibility for the Group’s system of internal controls, including an assurance of its adequacy, integrity, and its alignment with business objectives. The Board is also of the view that, the risk management framework and internal control system in place are designed and have the capacity to manage the Group’s risks within the accepted risk appetite thresholds. The Board does not claim nor believes that the controls will totally eliminate the risks emanating from the exercise of poor judgement in decision-making, human error, deliberate circumvention of control processes by employees, and unforeseeable circumstances. It can therefore only provide reasonable, rather than absolute assurance against material misstatement, fraud or loss.

Whilst the Board has the ultimate responsibility for the Group’s risk management and internal control systems, it has delegated the immediate oversight and implementation of these internal controls to the management who make regular submissions to the Audit Committee (“AC”) and Risk Management Committee on the status of actions taken to mitigate and/or minimize identified risks.

The risk management and internal control system is subject to the Board’s regular review via the independent Internal Audit function with a view towards appraising and ascertaining the relevancy, adequacy and effectiveness of the controls in place in key operational and business areas as identified in the annual Audit Plan.

From time to time, the Board receives assurances from the Chief Executive Officer/Group Managing Director (“CEO/GMD”) and Group Chief Operating Officer (“GCOO”) on the efficacy of the risk management and internal control system and that it sufficiently safeguards the interests of the Group.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee (“RMC”) was established by the Board to review the effectiveness of the risk management process, to report on key risks and recommend appropriate risk management strategies for the Board’s consideration.

The Committee met four (4) times during the financial year ended December 2016. The attendance record of the members were as follows:

Name Of Committee Members	Total Meetings Attended
Dato’ Narendrakumar Jasani A/L Chunilal Rugnath (Chairman, Independent Non-Executive Director)	3/4
Onn Kien Hoe (Member, Independent Non-Executive Director)	4/4
Tan Sri Ahmad bin Mohd Don (Member, Independent Non-Executive Director)	4/4
Tan Sri Datuk Seri Razman Md Hashim (Member, Independent Non-Executive Director)	4/4

During Committee meetings, the members engaged in active discussions with the Group Audit & Risk Department (“GARD”) on risk management matters affecting the Group and its operations.

The emphasis during the financial year was on the operations in the Philippines and Australia. The members were of the view that, the risk management function in the operating companies in the two locations was in need of further strengthening. This prognosis was based on the fact that, these entities operate in geographically distant and distinctly different economic environments/structures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

The Group's operations in the Philippines ranked higher in terms of the priority given the decision to convert MAA General Assurance Philippines, Inc ("MAAGAP") into a subsidiary. Hence, while the risk champions there continue to be supported by the outsourced risk management service provider, GARD stepped up the frequency of its visits to MAAGAP to ensure agreed risk mitigation measures are implemented as scheduled.

One of the key initiatives that saw fruition in MAAGAP during the financial year was the production of a pioneer special risk analysis on claims to provide a better insight into underwriting risks. This analysis enabled the management to identify areas in need of further improvement apart from facilitating more informed decision making. Henceforth, this report has been designated to become a standard reporting feature.

Some of the rectification measures that were undertaken pursuant to the tabling of the report included strengthening of the Internal Control Procedures ("ICP") and Standard Operating Procedures ("SOP") relating to claims and underwriting. Steps were also taken to improve co-ordination between Underwriters and Claims Department. To assist Underwriters in reviewing their portfolio risks, a statistician was engaged during the financial year and entrusted with the data crunching responsibility associated data analytics. To further reinforce compliance, a new Compliance Officer with a risk management background (the previous incumbent was a lawyer) was also hired during the financial year.

In the case of Columbus Capital Pty Limited ("CCA"), GARD continued with its visits to the Australia based operations to monitor and encourage more management emphasis on the risk management function.

Consequently, one of the risks added into the current risk register during the annual review was cyber security risk which represents an evolving threat to CCA's operations. The company worked with its IT service provider to reinforce system based security protocols against cyber-attacks. This included fortifying/rewriting current software configurations. In addition, training sessions to enhance staff awareness, and obtaining and publicizing updates on industry insights into cyber security issues/trends were the other initiatives pursued in this regard.

Apart from the update of CCA's risk registers, a special review was also conducted on the effectiveness of the management's strategies in mitigating risks associated with interest rate fluctuations. Interest rate risk is an integral part of CCA's business, and the fluctuations have a decisive influence over the company's profitability. Results of this review brought comfort to the RMC of both CCA and the Group that this risk is being managed effectually.

In order to automate the administration of the company's risk registers to enable easier monitoring, management and timely reporting across the various business units, a customized risk management system was developed in-house by CCA. This initiative is aligned to the strategic operational objective of having operational teams take more active ownership and accountability to review and manage their specific risk profiles; whilst management focuses on oversight and assessment.

While both the above mentioned entities have their own risk management governance structure and risk management matters are reported to their respective Boards, these reports are also escalated to GARD which reviews, assesses and comments on the contents before they are tabled at the RMC.

As for Kasturi Academia Sdn Bhd ("Kasturi") (formerly known as Pusat Tuisyen Kasturi Sdn Bhd) and its subsidiaries, given their rather small scale and relatively simple business model, the risk management function of the entity is handled directly and driven by GARD. During the financial year, the internal controls of Kasturi were further strengthened via the issuance of two new ICPs. The ICP relating to capital expenditure was designed with the objective of setting up a proper and systematic process for the evaluation, authorisation and control of all capex while the expense control ICP was meant to ensure all outgoing payments are properly documented, monitored and disbursed on a timely basis. Kasturi also updated/modernized its payment process i.e. from manual cheque based disbursements to an online platform for greater efficiency and an easily accessible audit trail.

GROUP AUDIT AND RISK

The day-to-day responsibility for the risk management function lies primarily with those entrusted with risk management responsibilities in the operating units. GARD, oversees the implementation of the Enterprise Risk Management ("ERM") framework which is based on the ISO 31000 Risk Management Standard. GARD continued to monitor the adequacy of the risk management practices of the Group including the businesses in the Philippines and Australia to ascertain the extent of compliance with ISO 31000.

To ensure greater awareness of managing risks amongst the work-force so that it becomes embedded into the work culture, GARD held discussions with departmental heads and the staff on the importance of this responsibility. Sessions were conducted either in classroom settings or through the dissemination of information on risk management practices through the in-house communication channel. They covered areas such as the importance of risk management in the dynamic business environment, risk accountability, methods/techniques of risk identification and evaluation, as well as risk mitigation strategies. A total of 5 of these sessions were held during the financial year. As with the existing risk management guidelines and policies, these information updates were consequently uploaded into GARD's public folder which resides in the Group's portal so that they remain accessible to all at all times.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

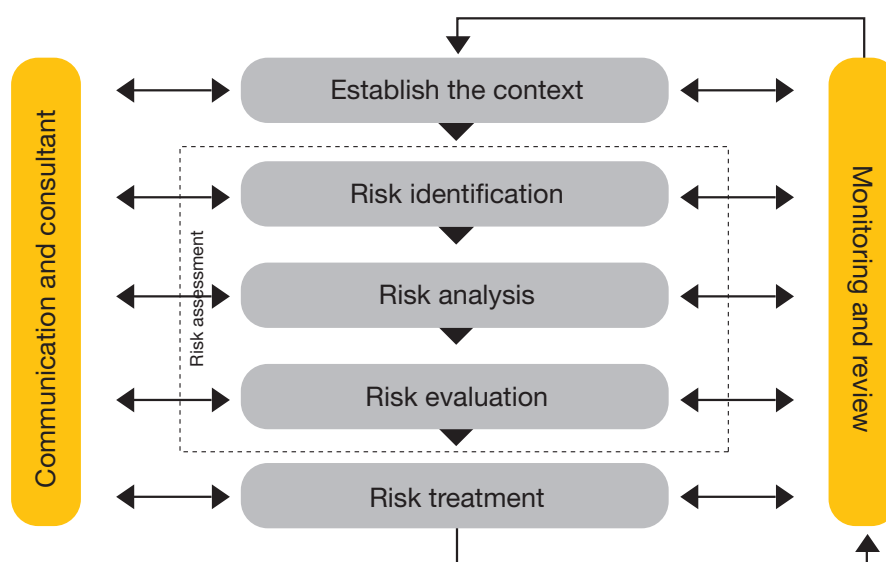
(continued)

INTERNAL CONTROL STRUCTURE & RISK MANAGEMENT FRAMEWORK

Management acknowledges its responsibility for the management of risks, for developing, operating and monitoring the system of internal controls and for providing assurance to the Board that it has done so in accordance with the policies approved by the Board.

The internal control system is periodically assessed to determine its adequacy and level of effectiveness. The evaluation is performed by GARD using the controls rating parameter stated in the risk management framework. Further assurance is provided by Internal Audit. The internal auditors collaborate with risk management to ensure areas with higher risks are assessed more frequently and more intensely. Details on the work performed by the Internal audit function can be found in the Audit Committee Report on page 60 to 63 of this Annual Report.

The diagram below encapsulates the Risk Management process described in the ERM Framework which serves to inform and provide guidance to the Directors, senior management, and staff on managing risks in the Group:



The ERM framework sets out:

- the fundamentals and principles of risk management that are to be applied in all situations and throughout all levels of the Group;
- the process for identifying, assessing, responding, monitoring and reporting of risks and controls;
- the roles and responsibilities of each level of management in the Group; and
- the mechanisms, tools and techniques for managing risks in the Group.

The GARD ensures that all elements of the Framework are implemented throughout the Group in a consistent fashion. The process includes the systematic application of procedures and practices to the activities of risk identification, assessment, treatment, monitoring and reporting. A quarterly review of risks is undertaken to ensure that the risk profiles remains relevant. This risk management process is applied to all levels of activity in the Group, with the objective of establishing accountability and ensuring mitigation at the point of risk assumption.

The Group is exposed to various financial risks such as credit, interest rate, foreign currency exchange rates, as well as operational risks. The tolerance level for each class of these risks is expressed through the use of a risk impact and likelihood matrix. Once the risk level is determined, the risk owner is obliged to deal with the relevant risks by adhering to the Group's risk treatment guidance on the actions to be taken and target timeline for implementation of the action plan. The Group will only accept a commercial level of risk that provides reasonable assurance on the long term profitability and survival of the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

The top three (3) risks (as identified through the application of the above mentioned process) faced by the Group as a whole during 2016 were as follows:

- a) **The risk of fraud** which could potentially result in major financial losses and reputational damage. This risk classification owes its origin in the main to the Group's involvement in the financial business where trust and acknowledgment on the security of funds is of paramount importance, the large number and diverse range of stakeholders it interacts with on a daily basis and lastly, its listed status.

Reflecting this concern, a fraud was discovered to have been perpetrated in one of the subsidiary companies (which has since been divested). In addressing this matter, the Board played a proactive advisory role and all necessary remedial actions were taken including reporting the matter to the relevant authorities, instituting disciplinary action and the engagement of both external and internal auditors to perform the required investigative/forensic audits.

Based on the findings of the investigations and applying the lessons learnt from this episode, GARD worked with the IT team of MAAGAP to incorporate a more enhanced regime of systems controls. This new system which was implemented during the 4th quarter of 2016, allows for the generation of exception reports to facilitate the early detection of variations from the norm or accepted parameters. Amongst the reports that will be produced are those relating to unusual coverage periods, large claims, high claims frequency history and claims made immediately after/near the inception date of policies.

GARD has also started on the exercise to emplace a web based whistle blowing platform that will cater for the entire Group. This will allow employees of the Group to lodge reports on any misconduct or weaknesses in operating procedures on a "anywhere, anytime" basis with improved security features to address identity concerns.

- b) **Investment risk.** The decision to convert MAAGAP into a subsidiary required the Group to inject a significant amount of capital into the company. In order to protect the invested funds, there is now a greater need for more meticulous supervision and to ensure the internal controls in place are adequate and effective. On account of this priority, GARD together with the Group's Compliance Department has instituted a program/schedule of regular visits to MAAGAP to continually assess and upgrade MAAGAP's capacity and capability to meet the parent Board's expectations on risk management and tolerance.

One outcome of these interactions was the decision to end the outsourcing of the internal audit function and to bring it in-house. In keeping with best practices, the newly established Internal Audit ("IA") Department reports directly to the AC of MAAGAP and is supervised directly by GARD on operational matters.

Consequently, the IA Department has been entrusted to confirm, the relevant originators re-visit all existing ICPs and SOPs of MAAGAP with a view to updating them and to ensure consistency with existing Group practices. The exercise which commenced in the 4th quarter of 2016 also involves the construction of new SOP's and ICP's to fill identified gaps in the compliance framework.

The IA Department has since, tabled its maiden report to the AC of MAAGAP.

- c) **The risks associated with the classification of the Company as a PN17 listed issuer.** Until the Regularisation Plan is approved, this status carries the implied risk of the Company losing its listed status which the Board had resolved to maintain. During the previous year, the Board took the view that it would be more beneficial to exit the financial services sector due to the coming into effect of Financial Services Act 2013 ("FSA") which restricted the Company's search for new businesses to the financial sector. As such, following the sale of MAA Takaful Berhad ("MAA Takaful") (now known as Zurich Takaful Malaysia Berhad), the Company no longer has any involvement in the Malaysian financial sector. This development has freed the Company to evaluate business opportunities in a much wider range of economic sectors both locally and externally. The sale also increased the Company's investible funds and has further enhanced its prospects for venturing or acquiring a new core business(es) that will consequently result in the removal of the PN17 classification. This search is being executed in an aggressive but diligent manner and to-date, a total of 30 propositions have been assessed.

The risk profiles of operating entities are different from that of the Group due to their nature of operations.

OTHER KEY ELEMENTS OF INTERNAL CONTROL AND RISK MANAGEMENT

- A comprehensive and detailed set of "SOPs" and "ICPs" encompassing every key activity in all major facets of operations which are constantly revised to reflect changing circumstances. They are also easily accessed for reference purposes through a system based portal. Currently there are 37 SOPs and 18 ICPs in place at the Company level. There were a total of 2 new SOP's/ICP's introduced during the financial year while a further 2 were revised or discarded.
- A Whistleblower Policy providing the channels to anonymously report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. Efforts are afoot to migrate the mechanism to a common online platform that will enable reports to be lodged on a "anywhere, anytime" basis besides providing a greater sense of security to reporting parties. There were no reports lodged under the policy during the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

- The CEO/GMD and GCOO meet monthly with Senior Management to discuss and review the financial and business performance of all operating entities, new business initiatives and other corporate issues of the Group including any policy papers to be tabled at the parent Board. These management forums relate to the operations of the Company itself, Kasturi and the overseas operations. There were a combined total of 42 such Executive level meetings held in the course of 2016.
- Annual Budgets of all operating subsidiary and associate companies are prepared by the relevant Business/Operating units and evaluated by Head Office before being tabled for approval at the applicable Boards. The budgets which include both operational and financial parameters and longer term initiatives are monitored on a monthly basis at the Management meetings mentioned above.
- A formal and structured Document Sign-Off Policy where a mandatory minimum of four (4) different Department Heads (apart from the originator) must review, comment and sign off on any proposed changes or introduction of new operational policies before it can be submitted to the CEO/GMD or GCOO for endorsement and adoption.
- An AC comprising entirely of Non-Executive Members of the Board, who are also Independent Directors. The AC is not restricted in any way in the conduct of its duties and has unrestricted access to the internal and external auditors of the Company and to all employees of the Group. The AC and the Board is also entitled to seek such other third party independent professional advice deemed necessary to the discharge of its responsibilities. In 2016, the AC exercised this authority once and appointed an external audit firm to investigate an alleged fraud case in a subsidiary.
- Review of all proposals for material capital investment by the Investment Committee and approval of the same by the Board prior to undertaking the said expenditure.
- Reviews by the AC of all risk management and internal control issues identified by the external and internal auditors. Findings are communicated to the Management and the AC with recommendations for improvements. Follow-up action to ascertain the implementation status of the recommended remedial actions is conducted by GARD and the AC is furnished with the relevant update.
- Adoption and implementation of the annual risk-based internal audit plan after it has been approved by the AC.
- Clearly defined terms of reference, authorities and responsibilities of the various committees which include the Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Investment Committee, Executive Committee and Business Committee.
- A well-defined organisational structure with clear segregation of duties, accountabilities and responsibilities between Senior Management and Department Heads including appropriately formalised and documented financial and non-financial authority limits.
- Distribution of papers at least five (5) days in advance of a scheduled Board or Board Committee meeting so as to allow sufficient time for members to digest the contents and to seek additional information so as to arrive at an informed decision. The Board maintains complete and effective control over the strategies and direction of the Group especially with regard to reserved matters.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the opinion that, there were no significant weaknesses identified during the financial year in the system of risk management and internal control, contingencies or uncertainties that could result in material losses and adversely affect the Group. The Group continue to take the necessary measures to strengthen their internal control structure and the management of risks.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Securities Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF ANNUAL AUDITED ACCOUNTS

The Directors are responsible for ensuring that the annual audited financial statements of the Company and the Group are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and the Listing Requirements of Bursa Securities.

The Directors are also responsible for ensuring that the annual audited financial statements of the Company and the Group are prepared with reasonable accuracy from the accounting records of the Company and the Group so as to give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2016.

In preparing the annual audited financial statements, the Directors have:

- (a) applied the appropriate and relevant accounting policies on a consistent basis;
- (b) made judgments and estimates that are reasonable and prudent; and
- (c) prepared the annual audited financial statements on a going concern basis.

AUDIT COMMITTEE REPORT

COMPOSITION AND MEETINGS

The Audit Committee ("AC") comprises of four members, all of whom are Independent Non-Executive Directors. This meets the requirements of paragraph 15.09(1) (a) and (b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements.

The details of members and their respective attendance record at meetings held during the financial year ended 31 December 2016 are as follows:

Name of Committee	No. of Meetings Attended
Onn Kien Hoe (Chairman, Independent Non-Executive Director)	5/5
Tan Sri Datuk Seri Razman Md Hashim (Member, Independent Non-Executive Director)	5/5
Tan Sri Ahmad bin Mohd Don (Member, Independent Non-Executive Director)	5/5
Dato' Narendrakumar Jasani A/L Chunilal Rugnath (Member, Independent Non-Executive Director)	4/5

The Chairman of the AC, Mr Onn Kien Hoe is a member of the Association of Chartered Certified Accountants, The Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. The AC, therefore, meets the requirement of paragraph 15.09 (1) (c) of the Bursa Securities Listing Requirements which stipulates that, at least one (1) member of the AC must be a qualified accountant.

The Committee met according to the schedule of at least once every quarter. The Chief Executive Officer/Group Managing Director ("CEO/GMD") and Group Chief Operating Officer ("GCOO") were invited to all AC meetings to facilitate direct communications as well as to provide clarification on audit issues and the Group's operations. The Group Audit & Risk Department ("GARD") and members of Senior Management were also present at these meetings. The Committee members were provided with the agenda and relevant papers 5 days before each meeting. Minutes of the AC meetings were distributed to the Board for notation and the Chairman of the AC reported on the key issues discussed, to the Board.

TERMS OF REFERENCE

The terms of reference of the AC can be found on the Group's website.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2016, the AC carried out its duties as set out in the terms of reference. The principal activities were as follows:

Financial Reporting and Annual Report

The AC reviewed the following Group financial statements and made recommendations to the Board for approval of the same:

Date of AC Meetings	Quarterly financial results/Financial statements reviewed
25 February 2016	Unaudited fourth quarter financial results for the period ended 31 December 2015
12 April 2016	Audited Financial Statements for the year ended 31 December 2015
25 May 2016	Unaudited first quarter financial results for the period ended 31 March 2016
25 August 2016	Unaudited second quarter financial results for the period ended 30 June 2016
24 November 2016	Unaudited third quarter financial results for the period ended 30 September 2016

AUDIT COMMITTEE REPORT

(continued)

The review of the unaudited quarterly financial results is to ensure the disclosures are in compliance with Malaysian Financial Reporting Standards and applicable disclosure provisions of the Bursa Securities Listing Requirements.

The AC review of the audited financial statements of the Company and the Group for the financial year ended 31 December 2015 encompassed the financial position and performance for the financial year and ensured that it complied with all disclosure and regulatory requirements prior to recommending the statements to the Board for approval.

Significant matters that were highlighted by the external auditors in the financial statements and noteworthy judgements made by the management were also reviewed and discussed during the AC meetings.

Some of the significant matters that were discussed during the financial year were in relation to PN17 status, disposal of MAA Takaful Berhad ("MAA Takaful") (now known as Zurich Takaful Malaysia Berhad) and subscription of new ordinary shares in MAA General Assurance Philippines, Inc. ("MAAGAP"). The issue on PN17 can be found in the Independent Auditor's report on page 74 to 77 of this Annual Report and under the 'Key Audit Matters (KAM)' section of this report.

The matter relating to the disposal of MAA Takaful considered the appropriateness of accounting treatment proposed by management to account for the transaction. Management sought the concurrence from both external auditors and the Board for the calculation of disposal gain arising and the treatment of deferred consideration on disposal of the Company's interest in MAA Takaful. Both parties concurred and no exceptions were noted in this matter.

The Company's subsidiary, MAA International Assurance Ltd ("MAAIA") subscribed for additional 300,000 new ordinary shares in MAAGAP prior to year end. The subscription of which would dilute existing shareholders, which will result MAAGAP to become a 70% owned subsidiary. The Group at year end has continued to account for MAAGAP as an associate despite the subscription to new ordinary shares prior to year end reflecting that said shares have yet to be issued pending necessary regulatory approval in the Philippines. The Board and the external auditor consider the appropriateness of the same, both parties concurred and no exceptions were noted in this matter.

External Audit

- Reviewed the audit scope, audit strategy, audit plan and audit report issued for the financial year;
- Assessed the objectivity and independence of the external auditors for the engagement period although a written assurance was also provided by them on their independence. This was done in April 2016 after the reporting period, together with the assessment on the reappointment of the auditors;
- The AC of MAAG met 5 times during the financial year and had its private sessions with the external auditors twice i.e. on 25 February 2016 and 24 November 2016 to discuss the audit plan, audit findings, financial statements and other matters that required the Board's attention.
- Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board on their appointment and audit fees. The assessment was made based on the criterion specified in the Group's assessment policy for the appointment/reappointment of an external auditor. Amongst the qualifying conditions applied during the said exercise was the level of knowledge the auditors brought to the assignment, capabilities, experience, output quality, their ability to provide constructive observations and recommendations in areas which required improvement and lastly, the effectiveness in planning and conducting the audit exercise.
- Reviewed major audit findings raised and management's response, including the implementation status of previous audit recommendations.

Key Audit Matters (KAM)

The International Standards on Auditing for KAM (ISA701) comes into effect for audit reports and financial statements for financial year ending on or after 31 December 2016. This new standard requires a section to be included in the Independent Auditor's report to highlight those matters that, in the Auditor's professional judgement, were deemed most significant during the course of the audit.

As a preparatory measure to comply with this new standard, the AC proactively engaged in active discussions with the external auditors for a better understanding of the Group's role in providing the required information needs in order to ensure compliance and a smooth transition process. The AC also ensured that mechanisms were put in place especially with regard to mutually agreed timelines so that full co-operation was extended by both the operating associates in the Philippines and Australia (who have a different set of external auditors) to assist PricewaterhouseCoopers ("PwC") in completing this assessment in a timely and effective manner.

Post exercise, the external auditors only identified one (1) significant issue, namely the Company's PN17 status and compliance with the Bursa Securities Listing Requirements.

In addressing the expressed concern over the PN17 status, the external auditors were informed that, notwithstanding the lodgement of the application(s) to Bursa Securities seeking an extension of time for the submission of the regularisation plan, management and the Board have and are continually evaluating business propositions in the quest for a new core business. In this regard, the external auditors were also provided with documentary evidence of the thirty (30) such propositions that had been assessed to-date. This explanation and clarification was accepted by the external auditors.

AUDIT COMMITTEE REPORT

(continued)

The external auditors had also considered the impact of the PN17 status to the Company's financial position and concurred with the management's assessment that there were no adverse implications on the going concern status of the Company and that, the basis of preparation of the financial statements on a going concern basis continues to be appropriate.

Internal Audit

- Reviewed the annual audit plan for adequacy of scope and coverage of the key activities of the Group. Audit areas were discussed together with the audit procedures. Risks affecting the audit areas determined the frequency of audit coverage. The annual audit plan was approved for adoption following this review;
- Reviewed the internal audit reports, audit recommendations and management's responses to the same and actions taken to improve the system of internal controls and procedures. Internal audit reports during the financial year covered both the functions of the Company and its subsidiaries;
- Monitored the implementation of the audit recommendations to ensure all key risks and controls have been addressed;
- Reviewed the Statement on Risk Management and Internal Control to confirm that it is consistent with their understanding of the state of internal controls of the Group and recommended the same to the Board for inclusion in the Annual Report.

GROUP AUDIT & RISK

The AC is supported by GARD which collaborates with the outsourced service providers in discharging the internal audit role for the Company and its principal operating subsidiaries.

The appointed service provider for domestic operations who applies the International Professional Practises Framework assisted the Board, AC and Senior Management by providing an independent and objective assurance/assessment on the adequacy and effectiveness of the internal control system, risk management procedures and governance processes. The audit scope covers operational, financial, compliance and information system controls. The results of the audits were reported to the AC on a quarterly basis to highlight control issues with risk exposures and effectiveness of the existing mitigating measures. Audit follow-ups were instituted by GARD to report on the progress of implementing the audit recommendations to the AC.

The total cost incurred for the outsourced internal audit function for the Malaysian operations of the Group for the financial year ended 31 December 2016 was RM135,000 compared to RM265,000 in 2015. The higher cost in the prior year was attributed to a special audit which was performed on one of the subsidiary companies (which has since been divested).

During the financial year, the internal audit works performed by the external service provider was carried out over 3 cycles covering the following entities:

- MAA Group Berhad;
- MAA Corporation Sdn Bhd;
- Kasturi Academia Sdn Bhd (formerly known as Pusat Tuisyen Kasturi Sdn Bhd); and
- MAA International Assurance Ltd

One of the tests that was performed across the entire domestic operations of the Group during the internal audit was on the adequacy and effectiveness of the application and administration of the Goods and Service Tax ("GST"). All internal controls revolving around the preparation, budget estimations, calculations and accounting treatment of GST were assessed. No issues of concern were noted and the Group's application of GST was concluded to be satisfactory.

Another area that was examined during the internal audit was the finance portfolio. In this assignment, billings and receivables management, financial reporting and accounting, banking, budgetary control and cash management practises were evaluated. All policies and procedures were thoroughly assessed for adequacy and effectiveness. There were two (2) ensuing observations i.e. the need to formalise a strategic business plan and improving budgeting process.

In respect of the budgeting process, management were recommended to improve the timelines in budget development and approval while to also enhance budget monitoring. Actions taken in addressing this observation was the enhancement of the Budget SOP.

With regard to the former, management explained business restrictions imposed under the Financial Services Act 2013 ("FSA"), pre-occupation with the divestment of non-core businesses and funding constraints precluded the Group from making any sizeable acquisitions. In these uncertain and difficult circumstances, it was difficult to propagate a longer term Vision that a strategic plan would need to embody.

AUDIT COMMITTEE REPORT

(continued)

These issues have now been addressed via the sale of MAA Cards Sdn Bhd and MAA Takaful (which also meant the Group had now exited the financial sector) that increased the Company's investible funds and has further enhanced its prospects for venturing or acquiring a new core business(es). Hence, the consideration of the diverse range of investment opportunities alluded to earlier. Once these acquisitions and entry into new business lines see fruition, management is committed to drawing up a plan that would chart the longer term direction of the Group.

An assessment of the internal controls relating to Human Resource was also performed and some of the noted observations were the need to improve/establish policies and procedures on recruitment, resignation, staff training, staff claims, staff misconduct proceedings and staff performance evaluation, to formalise a succession plan and to further improve the performance evaluation process. Group Human Resource has initiated an exercise to comply with the recommendations.

As for MAAGAP, with the Group's strategic decision on converting it into a subsidiary, there arose a greater need to exercise proper supervision and to ensure that the internal controls in place were consistent with Group practises. Towards this end and as a preparatory measure, the Internal Audit ("IA") function was brought in-house in July 2016. The objective was to provide reasonable assurance to both the AC as well as the Group on the two mentioned concerns.

Reporting directly to the AC of MAAGAP and supervised by GARD, the onsite presence of the internal auditors created a heightened awareness of the oversight function at all levels of the organization, facilitated speedier detection of policy/guidelines breaches and more frequent assessment of key operational areas. For example, where under the previous regime, only two (2) branches were audited per year, the provision of dedicated IA resources now allows for each branch to be audited twice per year.

The newly established IA Department tabled its inaugural report to the AC of MAAGAP on 21 July 2016. Some of the issues that were common to most of the branches were in relation to timely submission of monthly branch reports to Head office, absence of asset tagging and compliance to SOPs. These concerns have since been addressed.

An issue that needed more attention was with regard to branch managers approving underwriting amounts in excess of their respective approved limits. Although the incidence and amounts involved was deemed immaterial, however as risk mitigation measure an instruction was issued to all branches to strictly comply with the policies and procedures governing this matter with the caution that future lapses could possibly result in disciplinary action.

As for Columbus Capital Pty Limited ("CCA"), an associated company in Australia, they have outsourced the IA role. During the financial year, the service provider assessed the adequacy of the internal controls of security packets at the custodians' offices. They noted a few minor shortcomings in terms of the need to enhance the management of the physical documents. All rectification measures have been implemented.

Collectively, a total of 7 audit reports were tabled at the Group AC in 2016 in respect of the above-mentioned entities. There were no financial losses sustained by the Group in 2016 arising from identified operational lapses as compared to the previous year which amounted to RM1.1 million.

CORPORATE SOCIAL RESPONSIBILITY

Underlying our commitment to corporate social responsibility is our pledge to enhance our existing policies in the marketplace, our environment, the workplace and in our community.

MARKETPLACE

While we recognise the need for profitable business strategies, our priority is also to ensure that the interests of our stakeholders are protected in a competitive marketplace.

The Company governs with stringent procurement policies, which includes 'Internal Control Programmes' (ICP) that upholds proper corporate governance and processes that supports a competitive bidding environment. And by reinforcing our existing 'Code of Conduct', we promote transparency, accountability and ethical behaviour as the cornerstone of our Corporate Social Responsibility.

ENVIRONMENT

Our day-to-day business operations are not industrial in nature; however, we remain focused at minimising the use of the earth's resources for a better future by adopting best practices in all our operations to reduce overall waste.



WORKPLACE

As in any Company, employees are our greatest asset. The Company views the issues affecting the workplace seriously and we continually strive to create a safe and healthy working environment emphasising in areas such as health, safety, development and recognition that ultimately foster corporate performance and enhance the well-being of our employees.

1. Occupational Safety and Health ("OSH") – Strives to achieve zero mishaps at the workplace by ensuring all activities comply with the standards of the Department of Occupational Safety and Health ("DOSH"). Some of the activities conducted by OSH in 2016 include; a health talk on Ergonomics, 'Bomba' training, basic life support and CPR training and the annual fire drill and emergency evacuation exercise.
2. Staff Training – The Company believes that effective training and development of employees is a critical investment for any organisation to be able to grow. For the year 2016, employees were kept abreast of the latest industry development with trainings worth RM36,141.46.
3. Long Service Awards – Many of our employees are tenured staff. In 2016, a total of 13 employees completed 5 to 10 years of service, and 8 employees completed 15 to 30 years. Mementos, certificates and cash were presented during the award ceremony.
4. Gymnasium and Exercise Classes – A healthy lifestyle supports efficiency and productivity. The Company offers subsidised fitness programmes to all employees to improve employee well-being and health.
5. Diversity and Non Discrimination – A stringent policy on Diversity and Non Discrimination is practised in the Company to promote equality and to prevent any form of discrimination against any employee.

COMMUNITY

The Group have always remained committed and dedicated to the community through its two charitable arms.

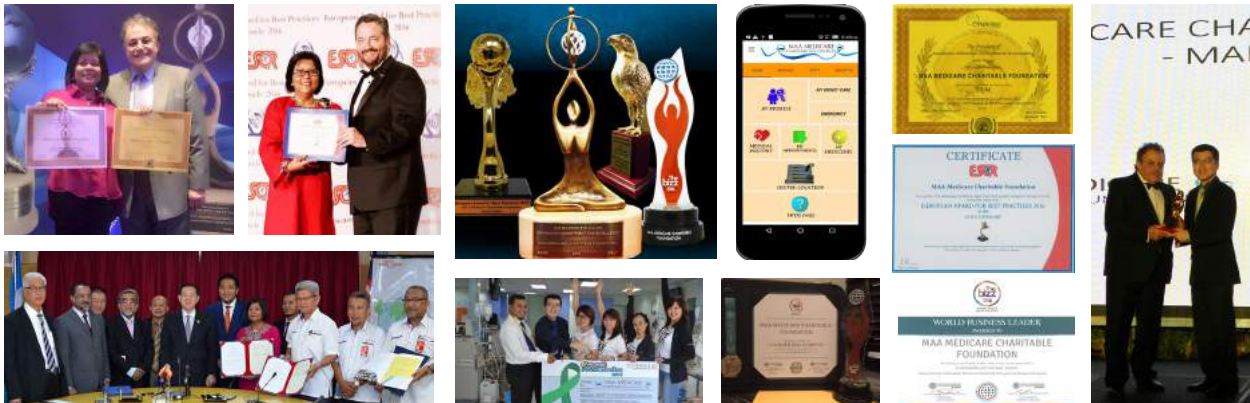
1. MAA Medicare Charitable Foundation (“MAA Medicare”)

MAA Medicare has been actively making a difference through the initiatives of MAA Medicare Kidney Charity Fund established in 1994. Currently, MAA Medicare has 12 centres nationwide caring for more than 800 destitute patients who seek kidney dialysis treatment.

MAA Medicare is not affiliated with any political, religious, governmental or private groups. Hence, it solely depends on the generosity of the public to ensure a steady stream of funds to enable continuous and effective running of the foundation.

Activities conducted throughout the year to raise funds, awareness and public programmes for the benefit of all patients include;

- May 2016 – A memorandum of understanding (MoU) between the State Government of Penang and MAA Medicare was signed, to provide dialysis subsidy at RM30 for each poor patient at its Butterworth centre. In addition, 8 dialysis machines were also donated by them.
- MAA Medicare has launched its own app where anyone can download via Google Play Store and enjoy all medical related history at their fingertips such as setting reminders for their next doctors’ appointments, access to nearest hospital locations and contact numbers, health tips, etc.
- 32nd Annual Congress of Malaysian Society of Nephrology – MAA Medicare was the first NGO to present on “Comparing the Sizes of Venous Cannulation Sites and Local Complications between Buttonhole & Sharp Needles Techniques for Chronic Hemodialysis”.
- For the 3rd time around, Jazzercise Sweat2Smiles raised RM86,792.33 towards the purchase of a dialysis machine and 10 chairs for MAA Medicare Charity Dialysis Centre at Jalan Sungai Besi.
- Tan Sri Lee Lam Thye, Chairman of ECO World Foundation donated a dialysis machine worth RM42,000 to MAA Medicare Charity Dialysis Centre at Jalan Sungai Besi.
- CHKMUS - MAAPPLE Dialysis Centre – MAA Medicare’s first private dialysis centre in Kuching that caters for Government sponsored and cash paying patients.
- MAA Medicare’s Patient Welfare Fund – continues to support poor patients with free transportation services, medication, monthly groceries and additional treatment.
- Kids@Medicare Programme – Approximately 150 poor school going children of MAA Medicare’s patients are assisted with school supplies yearly.
- The Care and Respect the Environment (CARE) programme – MAA Medicare’s effort in encouraging patients and staff in making the environment eco-friendly and energy efficient.
- Blue Ribbon – MAA Medicare rewards employees who develop innovative ideas for the benefit of the centre, patients, donors, partners or supporters.



In 2016 alone, MAA Medicare created waves as the sole Malaysian Foundation recognised by International organisations and governing bodies with four prestigious awards;

- 4th June 2016 (Brussels, Belgium): European Society of Quality Research (ESQR) – won the prestigious Gold Award for Best Practices 2016.
- 25th July 2016 (Rome, Italy): Otherways’ Organisation – honored with the Diamond Eye Award for Quality, Commitment and Excellence.
- 5th October 2016 (Marrakesh, Morocco): The BIZZ 2016 Business Excellence – awarded the World Business Leader Diploma and trophy in recognition as an Inspirational Company by the World Federation of Businesses (WORLDCOB).
- 28th November 2016 (Dubai, UAE): The Majestic Falcon Award for Quality and Excellence 2016 conferred by Otherways’ Organisation.

MAA Medicare Heart Charity Fund is the first cardiac diagnostic and treatment centre in Asia which will be operational by the end of 2017. It aims to save lives by educating people in disease prevention, provide life-saving cardiac diagnosis and various treatments at low, subsidised cost.

CORPORATE SOCIAL RESPONSIBILITY

(continued)



2. The Budimas Charitable Foundation ("Budimas")

A non-governmental, non-profit organisation incorporated in 1998 under the royal patronage of DYMM Seri Paduka Baginda Raja Permaisuri Agong, Budimas has spent over 19 years improving the lives of children, especially the most vulnerable and disadvantaged through programmes such as the Budimas Home Charity Fund ("BHCF"), Budimas Food Charity Fund ("BFCF") and Budimas Education Charity Fund ("BECF").

- BHCF manages Budimas Orion, a shelter that accommodates 75 underprivileged children in Senawang, Negeri Sembilan.
- BHCF also supports over 1,500 orphaned and underprivileged children in 29 charitable homes.
- BFCF provides healthy breakfast to more than 6,200 underprivileged children including refugee children in 95 rural schools across Malaysia.
- BECF constructs and equips children libraries in poor and rural areas, particularly in the Orang Asli communities.

In 2016, Budimas organised a series of fundraising events and activities to help even more children;

- Faber-Castell Inaugural Art Exhibition 'AMPLIFY' – raised RM10,000
- Netium – raised RM10,000
- 11street Do Good Deal Ramadhan Campaign – raised RM30,000
- Stellavingze International, A Gift of Love for the World – raised RM30,000
- Pfizer Malaysia – raised RM1,500
- Procter & Gamble Malaysia – raised RM50,000
- Kidzania CongreZZ Caring Project CSR Outreach (Kampung Orang Asli, Bukit Kepong) – Budimas worked with Kidzania nearly two months to craft the programme, organise logistics and coordinate a donation drive for the village. This outreach was held on Malaysia Day.
- Hewlett Packard (HP) – raised and donated 4,800 books for Budimas Children's Library
- A total of 4 children's libraries were set up in Orang Asli Settlements in Negeri Sembilan and Selangor
- Celebrated Chinese New Year, Hari Raya Puasa, Deepavali and Christmas with the Budimas children



3. Another of our subsidiary, Kasturi Academia Sdn Bhd (formerly known as Pusat Tuisyen Kasturi Sdn Bhd), in its School Outreach Program, conducted free motivational and study skills workshops for approximately 1,700 students that were held at 15 schools. These workshops were conducted to prepare students between Primary 6 to Form 5 in their major public examinations such as PT3, SPM and STPM.

4. We endeavour to make lasting and meaningful contributions to societies that are close to our hearts. In 2016, we extended RM101,517 to support the following;

- Malaysian Aids Foundation (Marathon Des Sables Fundraising Campaign, Malaysian Business Consortium on HIV and Aids and MAF ArtAID) – RM43,100
- Women's Aid Organisation – RM9,000
- The Budimas Charitable Foundation (Night of a Thousand Blessings) – RM30,000
- The Rotary Club Kuala Lumpur DiRaja Charity Foundation – RM10,000
- Philippine National School for the Blind – RM9,417

FINANCIAL
STATEMENTS
2016

DIRECTORS' REPORT

The Directors have pleasure in submitting 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 Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than the significant events as disclosed in Note 47 to the financial statements.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the financial year were as follows:

	GROUP	COMPANY
	RM'000	RM'000
Profit for the financial year attributable to:		
- Owners of the Company	263,307	275,953
- Non-controlling interests	452	-
Profit for the financial year	263,759	275,953

DIVIDENDS

In respect of the financial year ended 31 December 2016, the following dividend payments were made:

- (a) a first interim dividend of 3 sen per share under the single-tier dividend system totalling RM8,712,698 on 31 March 2016;
- (b) an interim special dividend of 35 sen per share under the single-tier dividend system totalling RM100,760,468 on 5 August 2016; and
- (c) a second interim dividend of 3 sen per share under the single-tier dividend system totalling RM8,251,667 on 10 October 2016.

The Directors do not recommend the payment of any final dividend for the financial year.

The Company paid a first interim dividend of 6 sen per share under the single-tier dividend system totalling RM16,411,065 on 31 March 2017 in respect of the financial year ending 31 December 2017.

RESERVES AND PROVISIONS

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

TREASURY SHARES

The shareholders of the Company by an ordinary resolution passed at the annual General Meeting on 20 June 2016 approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buy-back plan can be applied in the best interest of the Company and its shareholders.

During the financial year ended 31 December 2016, the Company purchased a total 18,665,700 (2015: 10,145,100) ordinary shares of RM1 each of its issued share capital from the open market at an average price of RM0.94 (2015: RM0.71) per share. The total purchase consideration paid for the share buy-back including transaction costs amounted to RM17,617,118 (2015: RM7,178,435) and were financed by internally generated funds. The shares purchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and carried at purchase cost.

On 1 December 2016, the Company cancelled the whole 19,174,500 treasury shares in accordance with Section 67A of the Companies Act, 1965. Accordingly, the Company's issued share capital was diminished by cancellation of the said treasury shares.

As at 31 December 2016, there were no treasury shares held by the Company (2015: 508,800 shares). Further information is disclosed in Note 20 to the financial statements.

DIRECTORS

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

Tunku Dato' Yaacob Khyra
 Datuk Muhamad Umar Swift
 Yeo Took Keat
 Tan Sri Datuk Seri Razman Md Hashim
 Tan Sri Ahmad bin Mohd Don
 Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
 Dato' Narendrakumar Jasani A/L Chunilal Rugnath
 Onn Kien Hoe

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in the shares of the Company are as follows:

Company	Number of ordinary shares of RM1.00 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Tunku Dato' Yaacob Khyra ("TY") - Indirect #	105,777,084	-	-	105,777,084
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") - Indirect *	105,777,084	-	-	105,777,084
Tan Sri Ahmad bin Mohd Don	2,055,000	-	-	2,055,000
Tan Sri Datuk Seri Razman Md Hashim	150,000	-	-	150,000
Yeo Took Keat	80,000	-	-	80,000

Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra Legacy Berhad, being the holding company of Melewar Khyra Sdn Bhd, Melewar Equities Sdn Bhd and Melewar Equities (BVI) Ltd, who are the substantial shareholders of the Company.

* Under Section 6A(4) of the Companies Act, 1965, TYY is deemed interested in Khyra Legacy Berhad's deemed interest in the Company by virtue of his family relationship with TY.

By virtue of the above mentioned Directors' interests in the shares of the Company, they are also deemed to have a substantial interest in the shares of the subsidiaries of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in shares in, or debentures of, the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration, fees paid to a company in which certain Directors have an interest and benefits provided to Directors as disclosed in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT

(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

- (a) 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, other than as disclosed in the "Significant Events During The Financial Year And Subsequent To The Financial Year End" in Note 47 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely 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, other than as disclosed in the "Significant Events During The Financial Year And Subsequent To The Financial Year End" in Note 47 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

- (a) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad).

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of MMLR, such as consolidated shareholders' equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed an adverse or disclaimer opinion on the Company's latest audited accounts, etc.

Pursuant to Paragraph 8.04(3) of the MMLR, the Company is required to regularise its condition by undertaking a regularisation plan. The regularisation plan was required to be submitted to Bursa Securities on 30 September 2012, and was subsequently extended until 30 June 2017 via Bursa Securities' letters dated 16 February 2017, 21 July 2016, 18 February 2016, 4 August 2015, 23 March 2015, 21 October 2014, 11 March 2014, 1 August 2013 and 20 December 2012.

The extension of time of up to 30 June 2017 for the Company to submit a regularisation plan is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

- (i) The Company fails to submit a regularisation plan to the regulatory authorities on or before 30 June 2017;
- (ii) The Company fails to obtain approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; and
- (iii) The Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

- (b) On 30 November 2015, the Company announced that it had jointly with Solidarity Group Holding BSC (Closed) ("Solidarity") and Zurich Insurance Company Ltd ("Zurich") submitted an application to Bank Negara Malaysia ("BNM") to seek approval of the Minister of Finance Malaysia pursuant to the Islamic Financial Services Act, 2013 to enter into an agreement with Zurich for the proposed disposal of 100% equity interest held in MAA Takaful Berhad ("MAA Takaful") ("Proposed Disposal").

On 27 April 2016, the Company announced that it had, via BNM's letter dated 27 April 2016, obtained the approval of Minister of Finance Malaysia for the Proposed Disposal pursuant to Section 101 of the Islamic Financial Services Act, 2013.

The Company together with Solidarity (collectively, the "Vendors") had on 4 May 2016 entered into a conditional share purchase agreement ("SPA") with Zurich (the "Purchaser") for the Proposed Disposal for a total cash consideration of RM525.00 million. In accordance with the terms and conditions of the SPA and subject to certain adjustments under which, inter-alia, the Company shall dispose 75,000,000 ordinary shares of RM1.00 each in MAA Takaful (representing 75% equity interest) for a cash consideration of RM393.75 million ("Disposal Consideration"). Upon the completion of the Proposed Disposal, MAA Takaful will cease to be a 75% owned subsidiary of the Company.

Subsequent to the completion of Proposed Disposal, the Board of Directors of the Company ("Board") declared an interim special dividend of RM0.35 for each ordinary share of RM1.00 ("Special Dividend") in the Company held by the shareholders of the Company whose name appear in the record of depositors of Bursa Malaysia Depository Sdn Bhd on an entitlement date to be determined and announced later by the Board. The total amount under the Special Dividend shall be payable out of the Disposal Consideration. The Special Dividend was conditional upon the completion of the Proposed Disposal.

On 28 June 2016, the Company announced that the Proposed Disposal was approved by the Shareholders at the Extraordinary General meeting which was held on the same day.

On 30 June 2016, the Company announced that the Proposed Disposal was completed on the same day.

On 4 July 2016, the Company announced that the Special Dividend was paid on 5 August 2016.

On 27 December 2016, the Company announced there was a downward adjustment of RM29.4 million ("Price Adjustment") to the Company's initial consideration of RM300 million pursuant to the income statement and statement of financial position of MAA Takaful for the period from 1 January 2015 to the completion date on 30 June 2016, which were prepared in accordance with the terms of the SPA and agreed by all parties on 14 December 2016. The Company paid the Price Adjustment on 27 December 2016 to the Purchaser.

DIRECTORS' REPORT

(continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

- (c) On 8 September 2015, MAA Corporation Sdn Bhd ("MAA Corp"), a wholly owned subsidiary of the Company and ePROTEA MSC Sdn Bhd (now known as Finexus Sdn Bhd) ("the Purchaser") entered into a conditional Share Sale Agreement ("SSA") for the disposal of the entire issued share capital of MAA Cards Sdn Bhd ("MAA Cards") ("Sale Shares"). The completion of the SSA is inter alia, conditional upon the parties' obtaining all necessary consents, approvals or clearance from the regulatory authorities for the acquisition of the Sale Shares by the Purchaser. The total consideration for the Sale Shares shall be the aggregate of RM1,000,000 and the amount equivalent to the final net current asset of MAA Cards on completion date.

On 21 March 2016, the Company announced that BNM had via its letter dated 18 March 2016 granted its approval for the disposal of MAA Cards. The Group completed the disposal of MAA Cards on 31 March 2016.

- (d) On 6 December 2016, the Company announced that MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary of MAA Corp, had on the same day remitted a sum of PHP 300 million to subscribe for additional 300,000 new shares with par value PHP1,000.00 per share ("Proposed Subscription") of MAA General Assurance Philippines, Inc ("MAAGAP"), a licensed general insurance company operating in the Republic of the Philippines.

The Proposed Subscription is subject to the approval of regulatory authority in the Philippines. Upon completion of the Proposed Subscription, MAAIA's equity interest in MAAGAP will increase from present 40% to 70% thereby making MAAGAP a subsidiary of the Group.

- (e) On 5 January 2017, the Company announced that Labuan Financial Services Authority ("LFSA") had vide its letter dated 3 January 2017 granted approval to MAAIA to surrender the Labuan composite insurance license effective 31 January 2017.

MAAIA had applied to LFSA to surrender its Labuan composite insurance license premised that since the second half of 2014 it had ceased all the previous offshore reinsurance and investment-linked businesses and also taking into consideration the high compliance cost. Presently the principal activity of MAAIA is investment holding and it does not have plan to re-active its insurance business.

- (f) On 11 April 2017, the Company announced that it has on the same day entered into the following agreements for the Acquisition of Properties:

- (i) supplemental sale and purchase agreement with PIMA Pembangunan Sdn Bhd ("PIMA") to complete the purchase of 783 car parking bays situated at a commercial development known as Prima Klang Avenue ("Development") for a purchase price of RM3.5 million;
- (ii) sale and purchase agreement with PIMA to purchase 38 office suits and retail units in Block B of the Development for a purchase price of RM23.0 million;
- (iii) sale and purchase agreement with PIMA to purchase the land, together with the platform built thereon, comprised in Block C of the Development for a purchase price of RM11.0 million, and
- (iv) settlement agreement with PIMA wherein the purchase considerations for the Properties will settle the amount owing by PIMA to the Company under the joint venture agreement entered into in 2013 with the balance purchase considerations totalling RM6.0 million payable to PIMA upon delivery of vacant possession of the Properties.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 13 April 2017. Signed on behalf of the Board of Directors:

DATUK MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Muhamad Umar Swift and Yeo Took Keat, two of the Directors of MAA Group Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 78 to 206 are drawn up 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 financial performance of the Group and of the Company for the financial year ended 31 December 2016 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 49 have been prepared in accordance with the Guidance of 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 of Directors in accordance with a resolution of the Directors dated 13 April 2017.

DATUK MUHAMAD UMAR SWIFT
DIRECTOR

YEO TOOK KEAT
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Datuk Muhamad Umar Swift, being the Director primarily responsible for the financial management of MAA Group Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 78 to 206 are, to the best of my knowledge and belief, 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.

DATUK MUHAMAD UMAR SWIFT

Subscribed and solemnly declared by the above named Datuk Muhamad Umar Swift at Kuala Lumpur in Malaysia on 13 April 2017.

Before me:

COMMISSIONER FOR OATH

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 471403-A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MAA Group Berhad ("the Company") and its subsidiaries ("the Group") 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 financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 205.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors" responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

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 informing our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD

(INCORPORATED IN MALAYSIA)
(COMPANY NO. 471403-A)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<i>PN17 status and compliance with Bursa Malaysia Securities Berhad Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities")</i> Since 30 September 2011, the Company has been classified as an affected listed issuer pursuant to Paragraph 8.04 and Paragraph 2.0 of PN17 of the Listing Requirements. Pursuant to Paragraph 8.04(3) of the Listing Requirements, the Company is required to regularise its condition by undertaking a regularisation plan to address the PN17 status. Non-compliance with the said Listing Requirements would result the Company being suspended or delisted from the Main Market of Bursa Securities. The regularisation plan was required to be submitted to Bursa Securities within a period of twelve months from the date of the first announcement on 30 September 2011. On 19 December 2016, the Company wrote to Bursa Securities seeking for an approval to further extend its regularisation plan for a period of six months from 31 December 2016 and approval is given by Bursa Securities on 16 February 2017 for an extension of time up to 30 June 2017. Management has disclosed in the notes to the financial statements explaining the status of the Company's regularisation plans.	We have checked to the applications submitted by the Board of Directors to Bursa Securities for an extension of time to submit its regularisation plan including the tentative timeline up to the extended submission time as well as details of its past financial performances. We have checked to the disclosure notes to the financial statements in the basis of preparation explaining the status of the Company's regularisation plan.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement by Directors which we obtained prior to the date of this auditors' report and the 2016 Annual Report, which is expected to be made available to us after that date.

Other information does not include the financial statements of the Group and of the Company and our auditors' report 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.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 471403-A) (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the 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:

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- (e) 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.
- (f) 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAA GROUP BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 471403-A) (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out in Note 49 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 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2019 J
Chartered Accountant

Kuala Lumpur
13 April 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	GROUP		COMPANY	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	4	3,686	14,575	1,840	1,906
Investment properties	5	19,824	19,356	-	-
Intangible assets	6	494	3,571	183	54
Subsidiaries	7	-	-	52,223	100,223
Associates	8	71,692	67,954	-	-
Deferred tax assets	9	-	2,334	-	-
Tax recoverable		252	340	-	-
Retakaful assets	16	-	270,408	-	-
Investments	10	179,405	587,382	138,472	19,131
Financial assets at fair value through profit or loss		2,086	354,855	-	-
Available-for-sale financial assets		36,779	144,710	5,084	-
Held-to-maturity financial assets		-	40,632	-	-
Loans and receivables	11	140,540	47,185	133,388	19,131
Takaful receivables	12	-	81,041	-	-
Trade and other receivables	13	131,705	40,338	131,477	39,383
Cash and cash equivalents	14	157,074	357,245	139,224	157,959
Assets classified as held for sale	15	-	6,393	-	-
TOTAL ASSETS		564,132	1,450,937	463,419	318,656
EQUITY, POLICYHOLDERS' FUND AND LIABILITIES					
LIABILITIES					
Takaful contract liabilities	16	-	846,792	-	-
Deferred tax liabilities	9	185	1,289	185	107
Takaful payables	17	-	88,321	-	-
Trade and other payables	18	12,116	71,079	4,615	2,555
Current tax liabilities		-	4,334	-	-
Liabilities directly associated with assets classified as held for sale	15	-	1,281	-	-
TOTAL LIABILITIES		12,301	1,013,096	4,800	2,662
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	19	273,518	292,693	273,518	292,693
Treasury shares	20	-	(444)	-	(444)
Retained earnings	21	240,164	112,643	152,251	12,084
Reserves	21	38,149	5,160	32,850	11,661
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		551,831	410,052	458,619	315,994
Non-controlling interests	7	-	27,789	-	-
TOTAL EQUITY		551,831	437,841	458,619	315,994
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		564,132	1,450,937	463,419	318,656

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

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		GROUP		COMPANY	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
<u>CONTINUING OPERATIONS</u>					
Gross earned premiums	22	-	1	-	-
Premiums ceded to reinsurers	22	-	-	-	-
Net earned premiums		-	1	-	-
Investment income	23	11,199	9,595	12,185	10,556
Realised gains and losses - net	24	225	(3,760)	13	(3,944)
Fair value gains and losses - net	25	2,090	1,701	-	-
Other operating revenue from non-insurance businesses	27	6,860	7,065	944	1,294
Other operating (expenses)/income - net	28	(7,227)	55,625	(2,126)	(472)
Other revenue		13,147	70,226	11,016	7,434
Total revenue		13,147	70,227	11,016	7,434
Gross benefits and claims paid	29	-	(6,463)	-	-
Claims ceded to reinsurers	29	-	3,010	-	-
Gross change to contract liabilities	29	-	11,954	-	-
Change in contract liabilities ceded to reinsurers	29	-	(6,497)	-	-
Net insurance benefits and claims		-	2,004	-	-
Management expenses	30	(37,191)	(45,192)	(24,384)	(24,566)
Other expenses		(37,191)	(45,192)	(24,384)	(24,566)
Share of profit of associates, net of tax	8	4,728	3,790	-	-
(Loss)/profit before taxation		(19,316)	30,829	(13,368)	(17,132)
Taxation	31	(66)	(110)	(78)	15
(Loss)/profit for the financial year from continuing operations		(19,382)	30,719	(13,446)	(17,117)

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

	Note	GROUP		COMPANY	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
DISCONTINUED OPERATIONS					
Profit before taxation	32	286,870	1,797	289,399	-
Taxation	31	(3,729)	(9,425)	-	-
Profit/(loss) for the financial year from discontinued operations	32	283,141	(7,628)	289,399	-
Profit/(loss) for the financial year		263,759	23,091	275,953	(17,117)
Profit/(loss) for the financial year attributable to:					
- Owners of the Company		263,307	24,630	275,953	(17,117)
- Non-controlling interests		452	(1,539)	-	-
		263,759	23,091	275,953	(17,117)
Basic earnings/(loss) per ordinary share attributable to owners of the Company (sen):					
- Continuing operations	34	(6.82)	10.28		
- Discontinued operations	34	99.44	(2.01)		
		92.62	8.27		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	GROUP		COMPANY	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) for the financial year		263,759	23,091	275,953	(17,117)
Other comprehensive income/(loss):					
<u>Items that may be subsequently reclassified to profit or loss:</u>					
Foreign currency translation differences	21	10,275	(10,606)	-	-
Fair value changes of available-for-sale financial assets					
- Gross fair value changes	10	5,799	(1,020)	2,014	224
- Transferred to profit or loss upon disposal of available-for-sale financial assets		459	(822)	-	(453)
- Deferred tax	9	(264)	(18)	-	-
		5,994	(1,860)	2,014	(229)
Changes in takaful contract liabilities arising from unrealised net fair value changes	16	(1,465)	(338)	-	-
Arising from deconsolidation of a subsidiary		-	(19)	-	-
		4,529	(2,217)	2,014	(229)
Share of fair value changes of available-for-sale financial assets of associates	8	(990)	(702)	-	-
Other comprehensive income/(loss) for the financial year, net of tax		13,814	(13,525)	2,014	(229)
Total comprehensive income/(loss) for the financial year		277,573	9,566	277,967	(17,346)
Total comprehensive income/(loss) for the financial year attributable to:					
- Owners of the Company		277,121	11,105	277,967	(17,346)
- Non-controlling interests		452	(1,539)	-	-
		277,573	9,566	277,967	(17,346)
Total comprehensive income/(loss) for the financial year attributable to owners of the Company:					
- Continuing operations		(5,568)	17,079	277,967	(17,346)
- Discontinued operations		282,689	(5,974)	-	-
		277,121	11,105	277,967	(17,346)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

GROUP

		Attributable to owners of the Company							
		Issued and fully paid ordinary shares			Treasury shares				
Note		Number of shares	Nominal value	Number of shares			Retained earnings	Reserves	Total
		'000	RM'000	'000	RM'000	RM'000	RM'000	RM'000	RM'000
	At 1 January 2016	292,693	292,693	(509)	(444)	5,160	112,643	27,789	437,841
21	Profit for the financial year	-	-	-	-	-	263,307	452	263,759
21	Other comprehensive income for the financial year	-	-	-	-	13,814	-	-	13,814
	Total comprehensive income for the financial year	-	-	-	-	13,814	263,307	452	277,573
20	Shares buy-back	-	-	(18,666)	(17,617)	-	-	-	(17,617)
20	Cancellation of treasury shares	(19,175)	(19,175)	19,175	18,061	19,175	(18,061)	-	-
33	Interim dividends paid	-	-	-	-	-	(117,725)	-	(117,725)
35(a)(ii)	Transactions with non-controlling interests	-	-	-	-	-	-	(28,241)	(28,241)
	At 31 December 2016	273,518	273,518	-	-	38,149	240,164	-	551,831
	At 1 January 2015	304,354	304,354	(2,025)	(1,312)	7,024	113,845	20,086	443,997
21	Profit/(loss) for the financial year	-	-	-	-	-	24,630	(1,539)	23,091
21	Other comprehensive loss for the financial year	-	-	-	-	(13,525)	-	-	(13,525)
	Total comprehensive income/(loss) for the financial year	-	-	-	-	(13,525)	24,630	(1,539)	9,566
20	Shares buy-back	-	-	(10,145)	(7,178)	-	-	-	(7,178)
20	Cancellation of treasury shares	(11,661)	(11,661)	11,661	8,046	11,661	(8,046)	-	-
33	Interim dividends paid	-	-	-	-	-	(17,786)	-	(17,786)
36	Transactions with non-controlling interests	-	-	-	-	-	-	9,242	9,242
	At 31 December 2015	292,693	292,693	(509)	(444)	5,160	112,643	27,789	437,841

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

COMPANY

Note	Non-distributable				Distributable			
	Issued and fully paid ordinary shares		Reserves		Treasury shares		Retained earnings	
	Number of shares	Nominal value	Number of shares	Reserves	Number of shares	RM'000	RM'000	Total equity
	'000	RM'000	'000	RM'000	'000	RM'000	RM'000	RM'000
At 1 January 2016	292,693	292,693		11,661	(509)	(444)	12,084	315,994
Profit for the financial year	21	-	-	-	-	-	275,953	275,953
Other comprehensive income for the financial year	21	-	-	2,014	-	-	-	2,014
Total comprehensive income for the financial year				2,014	-	-	275,953	277,967
Shares buy-back	20	-	-	-	(18,666)	(17,617)	-	(17,617)
Cancellation of treasury shares	20	(19,175)	(19,175)	19,175	19,175	18,061	(18,061)	-
Interim dividends paid	33	-	-	-	-	-	(117,725)	(117,725)
At 31 December 2016	273,518	273,518		32,850	-	-	152,251	458,619
At 1 January 2015	304,354	304,354		229	(2,025)	(1,312)	55,033	358,304
Loss for the financial year	21	-	-	-	-	-	(17,117)	(17,117)
Other comprehensive loss for the financial year	21	-	-	(229)	-	-	-	(229)
Total comprehensive loss for the financial year				(229)	-	-	(17,117)	(17,346)
Shares buy-back	20	-	-	-	(10,145)	(7,178)	-	(7,178)
Cancellation of treasury shares	20	(11,661)	(11,661)	11,661	11,661	8,046	(8,046)	-
Interim dividends paid	33	-	-	-	-	-	(17,786)	(17,786)
At 31 December 2015	292,693	292,693		11,661	(509)	(444)	12,084	315,994

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Note	GROUP	
	2016	2015
	RM'000	RM'000
(Loss)/profit for the financial year from continuing operations	(19,382)	30,719
Non-cash items:		
Investment income	(11,199)	(9,595)
Realised gains and losses	(225)	3,760
Fair value gains and losses	(2,090)	(1,701)
Present value adjustment on Retained Consideration	5,800	-
Purchases of financial assets	(3,070)	-
Proceeds from disposal of financial assets	1,763	38,591
Depreciation of property, plant and equipment	828	853
Property, plant and equipment written off	61	-
Allowance for impairment loss on property, plant and equipment	12	838
Amortisation of leases	2	2
Amortisation of intangible assets	86	85
Intangible assets written off	1	-
Write back of impairment loss on loans and receivables	(6)	(92)
Allowance for impairment loss on other receivables	1,407	8,431
Bad debts written off	-	82
Unrealised foreign exchange loss/(gain)	598	(3,960)
Net gain after impairment loss from deconsolidation of a subsidiary	-	(48,324)
Share of profit of associates	(4,728)	(3,790)
Tax expense	66	110
Changes in working capital:		
Decrease/(increase) in loans and receivables	181	(1,307)
(Increase)/decrease in trade and other receivables	(15,672)	3,741
(Decrease)/increase in trade and other payables	(6,840)	830
Cash (used in)/generated from operating activities	(52,407)	19,273
Investment income received	10,765	9,276
Income tax paid	(74)	(121)
Income tax refund	153	578
Net cash (used in)/generated from operating activities (continuing operations)	(41,563)	29,006
Net cash generated from operating activities (discontinued operations)	71,501	52,945

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

	Note	GROUP	
		2016	2015
		RM'000	RM'000
Investing activities:			
Purchase of property, plant and equipment		(969)	(746)
Proceeds from disposal of property, plant and equipment		335	41
Addition from subsequent expenditure of investment properties		(267)	-
Purchase of intangible assets		(392)	(13)
Increase in fixed and call deposits		(114,000)	(18,833)
Net cash outflow from deconsolidation of a subsidiary	36	-	(1,094)
Net cash outflow from disposal of discontinued operations, net of transaction costs, deferred consideration and cash disposed	35(a),(b)	11,919	(9)
Net cash used in investing activities (continuing operations)		(103,374)	(20,654)
Net cash used in investing activities (discontinued operations)		(499)	(2,383)
Financing activities:			
Purchase of treasury shares		(17,617)	(7,178)
Dividends paid		(117,725)	(17,786)
Net cash used in financing activities (continuing operations)		(135,342)	(24,964)
Net decrease in cash and cash equivalents (continuing operations)		(280,279)	(16,612)
Net increase in cash and cash equivalents (discontinued operations)		71,002	50,562
Currency translation differences		9,106	(18,973)
Cash and cash equivalents at beginning of financial year		357,245	342,268
Cash and cash equivalents at end of financial year	14	157,074	357,245

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(continued)

Note	COMPANY	
	2016	2015
	RM'000	RM'000
Profit/(loss) for the financial year	275,953	(17,117)
Non-cash items:		
Investment income	(12,185)	(10,556)
Realised gains and losses	(289,412)	3,944
Present value adjustment on Retained Consideration	5,800	-
Allowance for impairment loss on investments in subsidiaries	-	1,274
Allowance for/(write back of) impairment loss on amounts due from subsidiaries	6,507	(462)
Allowance for impairment loss on other receivables	1,700	7,000
Unrealised foreign exchange gain	(11,755)	-
Depreciation of property, plant and equipment	439	423
Property, plant and equipments written off	18	-
Amortisation of intangible assets	71	71
Tax expenses/(income)	78	(15)
Changes in working capital:		
Increase in loans and receivables	(3)	(69)
Decrease/(increase) in trade and other receivables	652	(2,176)
Increase in trade and other payables	2,060	371
Cash used in operating activities	(20,077)	(17,312)
Interest income received	9,351	7,557
Net cash used in operating activities	(10,726)	(9,755)
Investing activities:		
Purchase of property, plant and equipment	(421)	(602)
Proceeds from disposal of property, plant and equipment	43	36
Purchase of intangible assets	(200)	-
Increase in investment in a subsidiary	(27,000)	(1,600)
Repayment of advances due from subsidiaries	761	4,180
Purchase of investments	(3,070)	-
Proceeds from disposal of investments	-	30,137
(Increase)/decrease in fixed and call deposits	(113,429)	1,284
Proceeds from disposal of a subsidiary	35(a)(ii) 270,649	-
Net cash generated from investing activities	127,333	33,435
Financing activities:		
Purchase of treasury shares	(17,617)	(7,178)
Dividends paid	(117,725)	(17,786)
Net cash used in financing activities	(135,342)	(24,964)
Net decrease in cash and cash equivalents	(18,735)	(1,284)
Cash and cash equivalents at beginning of financial year	157,959	159,243
Cash and cash equivalents at end of financial year	14 139,224	157,959

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in investment holding and providing management services, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

There have been no significant changes in the principal activities of the Company and its subsidiaries during the financial year, other than the significant events as disclosed in Note 47 to the financial statements.

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

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

Registered office

Suite 12.03, 12th Floor
No.566, Jalan Ipoh
51200 Kuala Lumpur

Principal place of business

13th Floor, No.566
Jalan Ipoh
51200 Kuala Lumpur

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 April 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the financial statements.

The discontinued operations for the financial year ended 31 December 2016 represent MAA Takaful Berhad (now known as Zurich Takaful Malaysia Berhad) ("MAA Takaful") and MAA Cards Sdn Bhd ("MAA Cards"), subsidiaries disposed during the financial year as disclosed in Note 47(b) and (c) to the financial statements respectively, whereas the discontinued operations for the preceding financial year ended 31 December 2015 represent MAACA Corporate Services Sdn Bhd ("MAACACS") which was disposed during that year. However, to conform to the current financial year's presentation of financial statements, the preceding financial year's results of these subsidiaries have been reclassified from continuing operations to discontinued operations for comparative purposes.

(i) Standards, amendments to published standards and interpretations to existing standards that are effective and applicable to the Group and the Company

The following amendments and improvements to MFRSs have been adopted by the Group and the Company for the financial year beginning on or after 1 January 2016:

- Amendments to MFRS 11 'Joint Arrangements' – Accounting with Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 'Presentation of Financial Statements' – Disclosure Initiative
- Amendments to MFRS 127 'Equity Method In Separate Financial Statements'
- Amendments to MFRS 10, 12 and 128 'Investment entities – Applying the consolidation exception'
- Annual improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 'Property, Plant and Equipment' and MFRS 138 'Intangible Assets' – Clarification of Acceptable Methods of Depreciation and Amortisation

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) **Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective**

The Group and the Company will apply the standards, amendments to published standards and interpretations to existing standards in the following periods:

Effective from financial year beginning on or after 1 January 2017

- Annual improvements to MFRS 12 'Disclosures of Interest in Other Entities'
- Amendments to MFRS 107 'Statements of Cash Flows' – Disclosure Initiative introduces an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

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

The amendments shall be applied retrospectively.

Effective from financial year beginning on or after 1 January 2018

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

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

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

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

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

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

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are effective and applicable to the Group and the Company (continued)

Effective from financial year beginning on or after 1 January 2018 (continued)

Key provisions of the new standard are as follows:

- Any bundle goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
 - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
 - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
 - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
 - As with any new standard, there are also increased disclosures.
- MFRS 9 'Financial Instruments' - Classification and Measurement of Financial Assets and Financial Liabilities will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

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

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

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

Effective from financial year beginning on or after 1 January 2019

- MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations.

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

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

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

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

Effective date yet to be determined by MASB

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

The Group and the Company will assess the application of adopting the above standards, amendments to published standards and interpretations to existing standards before the effective dates.

All other new amendments to published standards and interpretations to existing standards issued by Malaysian Accounting Standard Board ("MASB") are not expected to have a material impact on the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired at the acquisition date is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances, unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in statements of comprehensive income, statement of changes in equity and statements of financial position respectively.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amounts of goodwill relating to the subsidiaries sold.

(d) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investment in associates are recognised in profit or loss.

2.3 Investments in subsidiaries and associates

In the Company's separate financial statements, investments in subsidiaries and associates are carried at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets). Impairment loss is charged to profit or loss.

On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(b) Transactions and balances

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

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to accounting policy in Note 2.11(c) to the financial statements on financial assets.

(c) Group companies

The results and financial positions of the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate statement of profit or loss presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment ('PPE')

(a) Cost

PPE are initially stated at cost. Land is subsequently shown at fair value, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other PPE are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of PPE initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy in Note 2.19 to the financial statements on borrowings).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment ('PPE') (continued)

(a) Cost (continued)

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/Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expenses in profit or loss during the financial period in which they are incurred.

Assets under construction are not depreciated until they are ready for their intended use. Other PPE are depreciated on a straight line basis to allocate the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives.

Leasehold land is amortised in equal instalments over the period of their respective leases or earlier if the expected useful life is lower than the leasehold period.

(b) Depreciation and residual value

The annual depreciation rates are as follows:

Leasehold land	Over the remaining leasehold period
Plant and machinery	10% - 20%
Furniture, fittings and equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%
Yacht	6.25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

(c) Impairment

At the end of each reporting date, the Group/Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see accounting policy in Note 2.9 to the financial statements on impairment of non-financial assets).

(d) Gains and losses on disposals

Gains and losses on disposals are determined by comparing sale proceeds with carrying amounts and are credited or charged to profit or loss.

(e) Revaluation reserves

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as a revaluation surplus reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus reserve of that asset. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

The revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.

2.7 Investment properties

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

Investment properties are initially stated at cost including related and incidental expenditure incurred and are subsequently carried at fair values. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are reviewed annually through formal valuations by independent professional valuers.

Gains or losses arising from changes in fair values of investment properties are recognised in profit or loss in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Investment properties (continued)

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long term yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the maximum lease payments. The property is carried at fair value after initial recognition.

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in asset revaluation reserve as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon the disposal of such investment property, any surplus previously recorded in asset revaluation reserve is transferred to profit or loss.

2.8 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Costs that are directly associated with identifiable software systems controlled by the Group and the Company, which do not form an integral part of the hardware, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, ranging between 5 to 10 years.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amounts will be recoverable principally through a sale transaction rather than through continue use and the sale is considered highly probable. They are stated at the lower of carrying amounts and fair values less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair values and contractual rights under insurance contracts, which are specifically except from this requirement.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets

(a) Classification

The Group/Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") financial assets, loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at FVTPL

The Group/Company classifies financial assets acquired for the purpose of selling in the short-term as held for trading. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the following designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The item is a hybrid contract that contains one or more embedded derivatives.

Investments held by investment-linked funds are designated at fair value through profit or loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

HTM financial assets

HTM financial assets are debt instruments with fixed or determinable payments and fixed maturity that the Group's/Company's management has the positive intention and ability to hold the investments until maturity.

HTM financial assets are classified as non-current assets, except for those having maturity within 12 months of the end of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market but do not include takaful receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, they are classified as non-current assets.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group/Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair values plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at FVTPL are initially recognised at fair values, and the transaction costs are expensed in profit or loss.

(c) Subsequent measurement – Gains and losses

AFS financial assets and financial assets at FVTPL are subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

HTM financial assets are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(c) Subsequent measurement – Gains and losses (continued)

Changes in the fair values of AFS financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy in Note 2.11(d) to the financial statements) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change. However, for General takaful business and Family takaful business, such fair value gains or losses are reported as a separate component of takaful contract liabilities until the investment is derecognised.

Interest and dividend income on AFS financial assets are recognised separately in profit or loss. Interest on AFS debt securities calculated using the effective interest method is recognised profit or loss. Dividend income on AFS equity instruments are recognised in profit or loss when the Group's/Company's right to receive payment is established.

(d) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group/Company first assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group/Company determines 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 for impairment.

To determine whether there is objective evidence that an impairment loss on financial assets has occurred, the Group/Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures for recovery have been completed and the amount of the loss has been determined.

AFS financial assets

The Group/Company assesses at the end of the reporting date whether there is objective evidence that an AFS financial asset is impaired, including in the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the financial assets are impaired.

If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised in equity is transferred from equity through the statement of comprehensive income or from takaful contract liabilities to profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as AFS are not subsequently reversed through profit or loss.

The impairment loss is reversed through profit or loss, if in a subsequent period the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group/Company has transferred substantially all risks and rewards of ownership.

When AFS financial assets are sold, the accumulated fair value adjustments recognised in equity are reclassified to profit or loss.

2.12 Financial instruments

Description

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

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

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

Recognition method

The particular recognition method adopted for financial instruments recognised in the statement of financial position is disclosed in the individual accounting policy note associated with each item.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.13 Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on reporting date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

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

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Loans

Loans are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. An allowance for impairment of loans is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the effective interest rates. This includes interest that is suspended and/or recognised to the extent of the recoverable amount.

The amount of specific allowance also takes into account the collateral value and recoverable amount of interest due, which may be discounted to reflect the impact of recovery process. The recovery process is estimated to be between one to five years, depending on default condition of the loan, type of collateral and whether under litigations. The amount of the allowance is recognised in profit or loss.

Where the collateral is property, the net realisable value for the property is determined by using its fair value which is based on open market value by independent property valuers, adjusted if necessary, for any difference in the nature, location or condition of the specific asset, while the net realisable value for share is based on last transacted price. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, adjusted if necessary, for any difference in the nature, location or condition of the specific asset or discounted cash flow projections.

Consistent with previous years, loans are classified as non-performing when repayments or interests are in arrears for more than six (6) months from the first day of default or after maturity date.

2.15 Takaful receivables

Takaful receivables are recognised when due. They are measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the takaful receivable is impaired, the Group reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a takaful 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 2.11(d) to the financial statements on subsequent measurement for impairment of financial assets.

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.11(e) to the financial statements on derecognition of financial assets have been met.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair values and subsequently measured at amortised costs using the effective interest method, less allowance for impairment. See accounting policy in Note 2.9 on impairment of non-financial assets.

2.17 Operating leases

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

2.18 Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the effective interest rate method.

2.19 Borrowings

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the initial recognised amount (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

Cash and cash equivalents include cash and bank balances and fixed and call deposits with financial institutions, with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2.21 Contingent liabilities and contingent assets

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

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

2.22 Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the management's best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2.23 Employee benefits

Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

Post employment benefits

The Group and the Company have post-employment benefit schemes for eligible employees, which are defined contribution plans.

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions or variable contributions as determined yearly, into a separate entity ("a fund"), and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

The Group's and the Company's contributions to defined contribution plans, including the Employees' Provident Fund, are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

2.24 Other financial liabilities and takaful payables

Other financial liabilities and takaful payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Share capital

(a) Classification

The Company has issued ordinary shares that are classified as equity.

(b) Share issue expenses

Incremental external costs that are directly attributed to the issue of these shares are recognised in equity, net of tax.

(c) Dividend distribution

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

Dividends for the financial year that are approved after end of the reporting date are dealt with as an event after the date of the statement of financial position.

2.26 Treasury shares

When the Company re-purchases its own equity shares, the amount of the consideration paid, including directly attributable costs is recognised in equity as treasury shares until they are cancelled, reissued or disposed of. Share re-purchased are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, reissuance or cancellation of the treasury shares. Should such treasury shares be reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is shown as a movement in equity, as appropriate. Where treasury shares are distributed as share dividends, the cost of the treasury shares are applied in the reduction of the share premium reserve or distributable retained earnings or both.

2.27 Product classification

The takaful subsidiary of the Group issues contracts that transfer takaful risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Takaful risk is the risk other than financial risk.

Takaful contracts are those contracts that transfer significant takaful risk. A takaful contract is a contract under which the takaful subsidiary (the takaful operator) has accepted significant takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the insured event) adversely affects the participants. As a general guideline, the takaful subsidiary determines whether it has significant takaful risk, by comparing benefits paid with benefits payable if the takaful event did not occur. Investment contracts are those contracts that do not have significant takaful risk.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its life-time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as takaful contracts after inception if the takaful risk becomes significant.

Family takaful contract liabilities are calculated based on the Gross Premium Valuation ("GPV") method which takes into consideration not only the guaranteed but also the discretionary benefits in the case of participating products and the underlying assumptions are based on the actual claim experience of the takaful subsidiary.

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

The takaful subsidiary defines takaful risk to be significant when the ratio of the takaful risk over the deposit component is not less than 110% of the deposit component at any point of the in force takaful contract. Based on this definition, all takaful contracts issued by the takaful subsidiary met the definition of takaful contracts as at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Retakaful

The takaful subsidiary of the Group cedes takaful risk in the normal course of business for most of its Family takaful and General takaful businesses. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful operators' policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the takaful subsidiary from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

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

Gains or losses on buying retakaful are recognised in profit or loss immediately at the date of purchase and are not amortised.

The takaful subsidiary also assumes retakaful risk in the normal course of business for Family takaful and General takaful contracts when applicable. Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the related retakaful contracts. Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the takaful contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are financial assets or financial liabilities that are recognised based on the consideration paid or received less any explicitly identified contribution or fees to be retained by the retakaful operators. Investment income on these retakaful contracts is accounted for using the effective yield method when accrued.

2.29 Takaful contracts - General takaful business

The General takaful business is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 ("IFSA") and consists of unearned contribution reserves and accumulated surpluses attributable to participants which represent the participants' share in the net surplus of the General takaful business, distributable in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary. The General takaful underwriting results are determined for each class of General takaful business after taking into account retakaful contributions, wakalah fee, unearned contributions reserves and claims incurred.

Any deficit in the General takaful business will be made good via a benevolent loan or Qardhul Hassan from the Shareholders' fund of the takaful subsidiary.

Gross contributions

Gross contributions are recognised in a financial year in respect of risks assumed during that particular financial year. Contributions from direct business are recognised during the financial year upon the issuance of takaful certificates. Contributions in respect of risks incepted for which takaful certificates have not been raised as of the reporting date are accrued at that date.

Retakaful contributions

Outward retakaful contributions are recognised in the same accounting period as the original certificate to which the retakaful relates.

Unearned contribution reserves

Unearned contribution reserves ("UCR") represent the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the reporting date, the method that most accurately reflects the actual unearned contribution as follow is used:

- 1/365th method for all classes of General takaful business within Malaysia; and
- time apportionment method for non-annual certificates and first year annual certificates with a cover period of more than one year.

with a further reduction for wakalah fee expenses to reflect the wakalah business principle.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Takaful contracts - General takaful business (continued)

Provision for outstanding claims

A liability for outstanding claim is recognised in respect of both direct takaful and inward retakaful. The amounts of outstanding claims are the best estimate of the claims expenditure required together with related expenses less recoveries to settle the present obligations at the date of the statement of financial position.

Provision is also made for the cost of claims, together with related expenses and incurred but not reported ("IBNR") at the date of the statement of financial position, based on an actuarial valuation by an independent qualified actuary.

Commission and agency expenses

Commission and agency expenses which are costs directly incurred in securing contributions on takaful certificates, net of commission income derived from retakaful in the course of ceding of contributions, are charged to profit or loss of the General takaful business as part of wakalah fees payable to the Shareholders' fund of the takaful subsidiary in the financial year in which they are incurred.

Deficit/accumulated deficits

Deficits reported by the General takaful business during the financial year are reported as a loss in profit or loss of the General takaful business to the extent that there is no allocated surplus balances residing with the General takaful contract liabilities. Accordingly, accumulated deficits and AFS reserve attributable to the Shareholders' fund of the takaful subsidiary are treated as equity in the financial statements of the Group.

2.30 Takaful contracts - Family takaful business

The Family takaful business is maintained in accordance with the requirements of the IFSA and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surpluses attributable to the participants as determined by an annual actuarial valuation of the Family takaful business and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary.

Any actuarial deficit in the Family takaful business will be made good via a benevolent loan or Qardhul Hassan from the Shareholders' fund of the takaful subsidiary.

Gross contributions

Gross contributions represent contributions recognised in the Family takaful and investment-linked fund.

Gross contributions from the Family takaful business are recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of the financial year, all the contributions are accounted for to the extent that they can be reliably measured.

Gross contributions of the investment-linked business include net creation of units and represent contributions paid by participants as payment for new contracts or subsequent payments to increase the amount of those contracts. Net creation of units is recognised on a receipt basis.

Retakaful contributions

Outward retakaful contributions are recognised in the same accounting period as the original certificates to which the retakaful relates.

Provision for outstanding claims

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

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on Family takaful certificates including settlement costs, less retakaful recoveries, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful policy are recognised as follows:

- (i) maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;
- (ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Takaful contracts - Family takaful business (continued)

Deficit/accumulated deficits

Deficits recorded by the Family takaful business during the financial year are reported as a loss in profit or loss of the Family takaful business to the extent that there are no unallocated surplus balances residing within the Family takaful contract liabilities. Accordingly, accumulated deficits and AFS reserve attributable to the Shareholders' fund of the takaful subsidiary are treated as equity in the statement of financial position of the Group.

2.31 Takaful contract liabilities

Family takaful contract liabilities

Family takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

A liability adequacy test is performed at 75% confidence level, in line with Bank Negara Malaysia ("BNM")'s new valuation guidelines on Family takaful business and the requirements of MFRS 4 Insurance Contracts. Hence, claim rates, surrender assumptions and other valuation parameters are determined at 75% confidence level.

For investment-linked products, the non-unit liabilities are valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams are then compared against the corresponding projected mortality and other risk benefits. Future deficits are reserved on a present value basis, using the risk free spot rates of return. The higher of the UCR and total present value of deficits is taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

In the case of yearly renewable term products with no savings elements, the liability for such Family takaful certificate comprises the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the takaful subsidiary. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate. The liability is then compared against reserves derived from statutory method, and the larger of the two reserves is held as the liability. In the event that the surrender value is higher than the reserve in aggregate, the excess is held as an additional reserve.

Expense liabilities in the Shareholder's fund of the takaful subsidiary are determined by taking the present value of future deficits, discounted at appropriate spot rates. Future deficits are defined as the excess of future expense stream over future income cash flows, on aggregate basis.

The liability is de-recognised when the contract expires, is discharged or is cancelled.

General takaful contract liabilities

General takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

These liabilities comprise outstanding claims provision and unearned contribution reserves.

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

Unearned contribution reserves represent contributions received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as contribution income.

At each reporting date, the takaful subsidiary reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account the investment return expected to arise on assets relating to the relevant general technical provisions. If these estimates show that the carrying amount of the unearned contributions is inadequate, the deficiency is recognised in profit or loss by setting up a provision for liability adequacy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Shareholders' fund's expense liabilities

The expense liabilities of the Shareholders' fund of the takaful subsidiary consist of expense liabilities of the General and Family takaful businesses which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in profit or loss.

2.33 Measurement and impairment of Qardhul Hassan

Any deficit in the takaful risk fund will be made good via a benevolent loan or Qardhul Hassan, granted by the Shareholders' fund of the takaful subsidiary to the takaful businesses. Qardhul Hassan shall be repaid from future surplus of the takaful businesses.

Qardhul Hassan is accounted as a receivable and payable in the financial statements of the Shareholders' fund of the takaful subsidiary and takaful businesses respectively, and is stated at cost. At each date of the statement of financial position, the takaful subsidiary assesses whether there is any indication of impairment in the Shareholders' fund. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2.9 to the financial statements on impairment of non-financial assets.

Qardhul Hassan payable in the respective takaful businesses is stated at cost.

2.34 Management expenses, commission expenses and wakalah fees

Acquisition costs, commissions and management expenses (collectively known as "wakalah fees") are borne by the Family takaful and General takaful businesses respectively in profit or loss at an agreed percentage of the gross contributions, in accordance with the principles of wakalah as approved by the Shariah Committee of the takaful subsidiary and agreed between the participants and the takaful subsidiary, and are allocated to the Shareholders' fund of the takaful subsidiary and recognised as income upon issuance of the takaful certificates.

2.35 Other revenue recognition

Interest and profit income

Interest income for financial assets that are not classified as FVTPL is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the investment and continues unwinding the discount as interest income.

Other interest income includes the amount of amortisation of premiums and accretion of discounts is recognised on a time proportion basis that takes into account the effective yield of the asset.

Profit income includes the amount of amortisation of premium and accretion of discount of the takaful subsidiary is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental income

Rental income on investment property is recognised on receipt basis.

Dividend income

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

Other fee income

Management, consultancy and advisory, educational and card services fees are recognised when the services are provided.

Realised gains and losses on investments

Realised gains and losses on investments recorded in profit or loss include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sale proceeds and the carrying value at date of disposal and are recorded on occurrence of the sale transaction.

Fees and commission income

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.36 Current and deferred income tax

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantially enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income, and any adjustments to tax payable in respects of prior financial years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations and makes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities using an expected value (weighted average probability) approach.

Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates (tax laws) that have been enacted or substantively enacted at the end of the reporting date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

2.37 Zakat

Zakat represents tithes payable by the takaful subsidiary to comply with Shariah principles and as approved by the Shariah Committee. Zakat provision is calculated at 2.5% of the profit before zakat and taxation of the takaful subsidiary for the financial year.

2.38 Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period, net of treasury shares. No diluted EPS is disclosed in these financial statements as there are no potential dilutive ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Critical accounting estimates and assumptions

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

(i) Present Value Adjustment to Remaining Sale Consideration for the Disposal of MAA Takaful

Under the SPA for the disposal of MAA Takaful, the remaining RM93.75 million sale consideration ("Retained Consideration") will be paid on the third anniversary date from the disposal completion date.

Taking into account time value of money, the management has discounted the Retained Consideration using Zurich's average cost of debt after taxation at 2.59% per annum as at 30 June 2016 as the discount rate over the remaining period of 2.5 years from financial year ended 31 December 2016 to the third anniversary date of disposal, 30 June 2018. The resulting effect is a present value adjustment of RM5.8 million been recognised in the Company's profit or loss for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

4 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>						
At 1 January 2015	178	22,753	4,106	4,860	1,015	32,912
Additions	-	1,031	627	23	-	1,681
Disposals	-	(549)	(1,358)	-	-	(1,907)
Write off	-	(92)	-	-	-	(92)
Transferred to intangible assets (Note 6)	-	(30)	-	-	-	(30)
Transferred to assets classified as held for sale (Note 15)	-	(69)	-	-	-	(69)
Arising from deconsolidation of a subsidiary (Note 36)	-	(298)	(153)	-	-	(451)
At 31 December 2015 / 1 January 2016	178	22,746	3,222	4,883	1,015	32,044
Additions	-	692	160	239	-	1,091
Disposals	-	(158)	(543)	(14)	(1,015)	(1,730)
Write off	-	(1,914)	-	(180)	-	(2,094)
Arising from disposal of a subsidiary (Note 35(a)(ii))	-	(17,631)	(398)	(2,625)	-	(20,654)
At 31 December 2016	178	3,735	2,441	2,303	-	8,657

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accumulated depreciation</u>						
At 1 January 2015	2	11,002	3,034	1,470	63	15,571
Depreciation for the financial year (Note 30)	-	2,521	323	447	64	3,355
Amortisation for the financial year (Note 30)	2	-	-	-	-	2
Disposals	-	(537)	(1,299)	-	-	(1,836)
Write off	-	(26)	-	-	-	(26)
Transferred to intangible assets (Note 6)	-	(7)	-	-	-	(7)
Transferred to assets classified as held for sale (Note 15)	-	(50)	-	-	-	(50)
Arising from deconsolidation of a subsidiary (Note 36)	-	(269)	(153)	-	-	(422)
At 31 December 2015 / 1 January 2016	4	12,634	1,905	1,917	127	16,587
Depreciation for the financial year (Note 30)	-	1,473	263	375	-	2,111
Amortisation for the financial year (Note 30)	2	-	-	-	-	2
Disposals	-	(109)	(533)	(6)	(127)	(775)
Write off	-	(1,837)	-	(180)	-	(2,017)
Arising from disposal of a subsidiary (Note 35(a)(iii))	-	(9,751)	(229)	(1,013)	-	(10,993)
At 31 December 2016	6	2,410	1,406	1,093	-	4,915

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	Leasehold land	Furniture, fittings and equipment	Motor vehicles	Renovation	Yacht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Accumulated impairment loss</u>						
At 1 January 2015	44	-	-	-	-	44
Impairment loss for the financial year (Note 28)	-	-	-	-	838	838
At 31 December 2015 / 1 January 2016	44	-	-	-	838	882
Impairment loss for the financial year (Note 28)	12	-	-	-	-	12
Disposals	-	-	-	-	(838)	(838)
At 31 December 2016	56	-	-	-	-	56
<u>Net book value</u>						
At 31 December 2015	130	10,112	1,317	2,966	50	14,575
At 31 December 2016	116	1,325	1,035	1,210	-	3,686

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

4 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	Furniture, fittings and equipment	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>				
At 1 January 2015	1,305	2,092	774	4,171
Additions	53	549	-	602
Disposals	(12)	(589)	-	(601)
Write off	(4)	-	-	(4)
At 31 December 2015 / 1 January 2016	1,342	2,052	774	4,168
Additions	416	5	-	421
Disposals	(51)	(523)	-	(574)
Write off	(29)	-	-	(29)
At 31 December 2016	1,678	1,534	774	3,986
<u>Accumulated depreciation</u>				
At 1 January 2015	566	1,585	231	2,382
Depreciation for the financial year (Note 30)	141	205	77	423
Disposals	(8)	(531)	-	(539)
Write off	(4)	-	-	(4)
At 31 December 2015 / 1 January 2016	695	1,259	308	2,262
Depreciation for the financial year (Note 30)	208	153	78	439
Disposals	(21)	(523)	-	(544)
Write off	(11)	-	-	(11)
At 31 December 2016	871	889	386	2,146
<u>Net book value</u>				
At 31 December 2015	647	793	466	1,906
At 31 December 2016	807	645	388	1,840

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

5 INVESTMENT PROPERTIES

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
At 1 January	19,356	14,846
Addition from subsequent expenditure	267	-
Fair value gains – net (Note 25)	2,011	1,778
Currency translation differences	(1,810)	2,732
At 31 December	19,824	19,356
Comprising:		
Leasehold land and buildings	19,824	19,356

Investment properties are stated at fair values, which have been determined based on valuations performed by external independent professional valuers at the statement of financial position date. Valuations are performed annually based on the properties' fair market value using the direct sale comparison. The fair value gain is recorded in profit or loss.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – fair value is estimated using unobservable inputs for properties.

The fair value of investment properties are categorised as follows:

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
Level 2	19,824	19,356

The investment properties under Level 2 of the fair value hierarchy are measured in whole by reference to inputs other than quoted prices included within Level 1 that are observable for the investment property either directly or indirectly. The investment properties are valued using the comparison method – recent transactions and asking prices of similar properties in the locality are analysed for comparison purpose characteristics to arrive at the fair values.

The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the end of the reporting period. There was no transfer during the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

5 INVESTMENT PROPERTIES (continued)

The income and related expenses of the investment properties are as follows:

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
Rental income (Note 23)	248	163
Direct operating expenses of investment properties (Note 30)		
- Caretaker fee	(82)	(63)
- Staff salaries	(103)	(83)
- Utilities	(91)	(122)
- Repair and maintenance	(248)	(222)
- Valuation fees	(7)	(11)
- Property management service fees	(19)	(27)
- Taxes and others	(53)	(15)
	(603)	(543)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

6 INTANGIBLE ASSETS

GROUP

	Computer software	
	31.12.2016	31.12.2015
	RM'000	RM'000
<u>Cost</u>		
At 1 January	13,520	12,149
Additions	769	1,461
Write off	(547)	-
Transferred from property, plant and equipment (Note 4)	-	30
Transferred to assets classified as held for sale (Note 15)	-	(120)
Arising from disposal of a subsidiary (Note 35(a)(ii))	(12,757)	-
At 31 December	985	13,520
<u>Accumulated amortisation</u>		
At 1 January	9,949	8,565
Amortisation for the financial year (Note 30)	717	1,473
Write off	(163)	-
Transferred from property, plant and equipment (Note 4)	-	7
Transferred to assets classified as held for sale (Note 15)	-	(96)
Arising from disposal of a subsidiary (Note 35(a)(ii))	(10,012)	-
At 31 December	491	9,949
Net carrying amount	494	3,571

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

6 INTANGIBLE ASSETS (continued)

COMPANY

	Computer software	
	31.12.2016	31.12.2015
	RM'000	RM'000
<u>Cost</u>		
At 1 January	583	583
Additions	200	-
Write off	(162)	-
At 31 December	621	583
<u>Accumulated amortisation</u>		
At 1 January	529	458
Amortisation for the financial year (Note 30)	71	71
Write off	(162)	-
At 31 December	438	529
Net carrying amount	183	54

Computer software

Computer software consists mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Group and the Company, that do not form the integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

7 SUBSIDIARIES

	COMPANY	
	31.12.2016	31.12.2015
	RM'000	RM'000
Investments in subsidiaries, at cost	179,228	227,228
Less: Accumulated impairment loss	(127,005)	(127,005)
	52,223	100,223

A reconciliation of the allowance for impairment loss on investments in subsidiaries is as follows:

At 1 January	127,005	125,731
Allowance for impairment loss (Note 28)	-	1,274
At 31 December	127,005	127,005

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	31.12.2016		31.12.2015		Principal activities
		Group's effective interest	Non-controlling interests	Group's effective interest	Non-controlling interests	
		%	%	%	%	
MAA Corporation Sdn Bhd ("MAA Corp")	Malaysia	100	-	100	-	Providing property management services and investment holding
MAA Takaful Berhad ⁽¹⁾	Malaysia	-	-	75	25	General takaful and Family takaful businesses
<u>Subsidiaries of MAA Corp</u>						
MAA-Medicare Sdn Bhd	Malaysia	100	-	100	-	Operation of charitable kidney dialysis centres
MAA Credit Berhad	Malaysia	100	-	100	-	Hire purchase, leasing and other credit activities
MAA International Assurance Ltd	Labuan, Malaysia	100	-	100	-	Investment holding
MAA Holdings (BVI) Ltd	British Virgin Islands	100	-	100	-	Providing insurance technical and financial consultancy services
MAA Corporate Advisory Sdn Bhd	Malaysia	100	-	100	-	Providing corporate advisory and consultancy services

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

7 SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

Name of company	Country of incorporation	31.12.2016		31.12.2015		Principal activities
		Group's effective interest	Non-controlling interests	Group's effective interest	Non-controlling interests	
		%	%	%	%	
<u>Subsidiaries of MAA Corp</u> (continued)						
MAA International Corporation Ltd	Malaysia	100	-	100	-	Investment holding
MAA International Investments Ltd	Malaysia	100	-	100	-	Investment holding
Menang Bernas Sdn Bhd	Malaysia	100	-	100	-	Dormant
MAA Cards Sdn Bhd ⁽¹⁾	Malaysia	-	-	100	-	Business of prepaid cards and services
# MaaxSite Sdn Bhd	Malaysia	100	-	100	-	Dormant
# MaaxClub Sdn Bhd	Malaysia	100	-	100	-	Dormant
# Kasturi Academia Sdn Bhd (formerly known as Pusat Tuisyen Kasturi Sdn Bhd)	Malaysia	100	-	100	-	Provision of education services and operations of education tuition centres and investment holding
<u>Subsidiaries of MAA International Investments Ltd</u>						
# MAA Mutualife Philippines, Inc	Philippines	100	-	100	-	Unit trust funds management
# Columbus Capital Singapore Pte Ltd	Singapore	100	-	100	-	Investment holding
<u>Subsidiary of MAA International Corporation Ltd</u>						
# MAA Corporate & Compliance Phils. Inc.	Philippines	100	-	100	-	Inactive
<u>Subsidiaries of MAA Corp and MAA Credit Berhad</u>						
# Keris Murni Sdn Bhd	Malaysia	100	-	100	-	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

7 SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

Name of company	Country of incorporation	31.12.2016		31.12.2015		Principal activities
		Group's effective interest	Non-controlling interests	Group's effective interest	Non-controlling interests	
		%	%	%	%	
<u>Subsidiaries of Kasturi Academia Sdn Bhd</u>						
# Pelangi Tegas Sdn Bhd	Malaysia	100	-	100	-	Inactive
# Indopelangi Sdn Bhd	Malaysia	100	-	100	-	Provision of education services and operations of education tuition centres
<u>Subsidiaries of Keris Murni Sdn Bhd</u>						
# Genting Mutiara Sdn Bhd	Malaysia	100	-	100	-	Inactive
# Jaquh Suria Sdn Bhd	Malaysia	100	-	100	-	Inactive

Subsidiaries not audited by PricewaterhouseCoopers Malaysia.

⁽¹⁾ Disposed during the financial year.

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	MAA Takaful Berhad	
	31.12.2016 ^(N1)	31.12.2015
	RM'000	RM'000
NCI percentage of ownership interest and voting interest	-	25%
Carrying amount of NCI	-	27,789

Set out below is the summarised financial information for subsidiaries that have material NCI:

Summarised statement of financial position

	MAA Takaful Berhad	
	30.12.2016 ^(N1)	31.12.2015
	RM'000	RM'000
Non-current assets	-	234,780
Current assets	-	868,146
Non-current liabilities	-	(133,917)
Current liabilities	-	(858,821)
Net assets	-	110,188

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

7 SUBSIDIARIES (continued)

Set out below is the summarised financial information for subsidiaries that have material NCI: (continued)

Summarised statement of profit or loss and statement of other comprehensive income

	MAA Takaful Berhad		PT MAA General Assurance	
	Financial period ended 30.6.2016 ^(N1)	Financial year ended 31.12.2015	Financial year ended 31.12.2016	Financial period ended 30.11.2015 ^(N2)
	RM'000	RM'000	RM'000	RM'000
Operating revenue	279,188	548,980	-	165
Profit before taxation	5,540	2,813	-	675
Taxation	(3,729)	(9,425)	-	-
Profit/(loss) for the financial period/year	1,811	(6,612)	-	675
Other comprehensive income/(loss) for the financial period/year	233	(46)	-	(58)
Total comprehensive income/(loss) for the financial period/year	2,044	(6,658)	-	617
Total comprehensive income/(loss) allocated to NCI	452	(1,654)	-	115
Dividends paid to NCI	-	-	-	-

The financial information above comprised of the amounts before inter-company elimination.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

7 SUBSIDIARIES (continued)

Set out below is the summarised financial information for subsidiaries that have material NCI: (continued)

Summarised statement of cash flows

	MAA Takaful Berhad		PT MAA General Assurance	
	Financial period ended 30.6.2016^(N1)	Financial year ended 31.12.2015	Financial year ended 31.12.2016	Financial period ended 30.11.2016^(N2)
	RM'000	RM'000	RM'000	RM'000
Cash flows generated from/(used in):				
Operating activities	71,196	28,620	-	(680)
Investing activities	(499)	(2,383)	-	307
Financing activities	-	-	-	640
Net increase in cash and cash equivalents	70,697	26,237	-	267
Cash and cash equivalents at beginning of financial year	193,514	167,277	-	827
Cash and cash equivalents at end of financial period/year	264,211	193,514	-	1,094

^(N1) As disclosed in Note 47(b) to the financial statements, MAA Takaful ceased to be a subsidiary on 30 June 2016, thus there was no summarised statement of financial position as at 31 December 2016 and only six (6) months results of the company ended 30 June 2016 were included in the group consolidation accounts for the financial year ended 31 December 2016.

^(N2) As disclosed in Note 36 to the financial statements, PT MAA General Assurance ("PT MAAG") ceased to be a subsidiary on 1 December 2015, thus there was no summarised statement of financial position as at 31 December 2015 and only eleven (11) months results of the company ended 30 November 2015 were included in group consolidated accounts for the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

8 ASSOCIATES

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	71,997	71,997	100	100
Less: Accumulated impairment loss	(7,650)	(7,650)	(100)	(100)
	64,347	64,347	-	-
Share of post acquisition profit	8,599	3,871	-	-
Share of other comprehensive loss	(1,254)	(264)	-	-
	71,692	67,954	-	-

The details of the associates are as follows:

Name of company	Country of incorporation	Group's effective interest		Principal activities
		31.12.2016	31.12.2015	
		%	%	
MAA Bancwell Trustee Berhad	Malaysia	49	49	Inactive
<u>Associate of MAA Corp</u>				
Meridian Asset Management Holdings Sdn Bhd	Malaysia	40	40	Investment holding
<u>Associate of MAA International Assurance Ltd</u>				
MAA General Assurance Philippines, Inc	Philippines	40	40	General insurance business
<u>Associate of Columbus Capital Singapore Pte Ltd</u>				
Columbus Capital Pty Limited	Australia	48	48	Retail mortgage lending and loan securitisation

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

8 ASSOCIATES (continued)

Set out below is the summarised financial information for material associates of the Group:

Summarised statement of financial position

	Columbus Capital Pty Limited		MAA General Assurance Philippines, Inc	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Non-current assets	5,962,615	4,362,157	1,734	2,102
Current assets	204,958	172,125	263,985	211,236
Non-current liabilities	(6,097,869)	(4,462,447)	-	-
Current liabilities	(27,867)	(27,012)	(164,685)	(143,659)
Net assets	41,837	44,823	101,034	69,679
% of shareholding	48%	48%	40%	40%
Share of net assets	20,061	21,493	40,414	27,872
Goodwill	25,097	25,097	2,531	2,531
Currency translation differences	1,152	(1,799)	(17,563)	(7,240)
Carrying value of the Group's interest in associates	46,310	44,791	25,382	23,163

Summarised statement of profit or loss and statement of other comprehensive income

	Columbus Capital Pty Limited		MAA General Assurance Philippines, Inc	
	Financial year ended 31 December		Financial year ended 31 December	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Operating revenue	258,133	204,698	106,467	78,531
Profit before taxation	5,639	3,771	10,371	7,657
Taxation	(2,471)	(1,037)	(2,350)	(1,461)
Profit for the financial year	3,168	2,734	8,021	6,196
Other comprehensive loss for the financial year	-	-	(3,363)	(1,308)
Total comprehensive income for the financial year	3,168	2,734	4,658	4,888
Dividends received from associates	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

8 ASSOCIATES (continued)

Reconciliation of summarised financial information

A reconciliation of the summarised financial information presented to the carrying value of the Group's interest in associates is as follow:

	Columbus Capital Pty Limited	MAA General Assurance Philippines, Inc	Total
	RM'000	RM'000	RM'000
At 1 January 2015	43,480	21,386	64,866
Share of profit	1,311	2,479	3,790
Share of other comprehensive loss (Note 21)	-	(702)	(702)
At 31 December 2015 / 1 January 2016	44,791	23,163	67,954
Share of profit	1,519	3,209	4,728
Share of other comprehensive loss (Note 21)	-	(990)	(990)
At 31 December 2016	46,310	25,382	71,692

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

9 DEFERRED TAX

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.

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

GROUP

	31.12.2016			
	Shareholders' fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
Non-current				
Deferred tax liabilities	(185)	-	-	(185)
At 1 January 2016	(900)	2,334	(389)	1,045
(Charged)/credited to profit or loss (Note 31):				
- property, plant and equipment	(78)	-	-	(78)
- financial assets at FVTPL	(24)	-	1,345	1,321
- allowance for impairment loss	-	(234)	-	(234)
	(102)	(234)	1,345	1,009
Charged to other comprehensive income:				
- AFS financial assets	(77)	-	-	(77)
Charged to takaful contract liabilities:				
- AFS financial assets	-	(80)	(107)	(187)
Arising from disposal of a subsidiary (Note 35(a)(iii))	894	(2,020)	(849)	(1,975)
At 31 December 2016	(185)	-	-	(185)
Subject to income tax:				
Deferred tax liabilities (before and after offsetting)				
Property, plant and equipment	(185)	-	-	(185)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

9 DEFERRED TAX (continued)

GROUP

31.12.2015

	Shareholders' fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	-	2,334	-	2,334
Deferred tax liabilities	(900)	-	(389)	(1,289)
	(900)	2,334	(389)	1,045
Current	-	-	(401)	(401)
Non-current	(900)	2,334	12	1,446
	(900)	2,334	(389)	1,045
At 1 January 2015	(911)	3,213	607	2,909
(Charged)/credited to profit or loss (Note 31):				
- property, plant and equipment	275	-	-	275
- financial assets at FVTPL	(22)	-	(968)	(990)
- allowance for impairment loss	-	(874)	-	(874)
- expense liabilities	(257)	-	-	(257)
	(4)	(874)	(968)	(1,846)
Credited to other comprehensive income:				
- AFS financial assets	15	-	-	15
Charged to takaful contract liabilities:				
- AFS financial assets	-	(5)	(28)	(33)
At 31 December 2015	(900)	2,334	(389)	1,045
Subject to income tax:				
<u>Deferred tax assets (before offsetting)</u>				
AFS financial assets	79	71	-	150
Allowance for impairment loss	-	2,263	-	2,263
Expense liabilities	838	-	-	838
Unutilised tax losses	137	-	-	137
	1,054	2,334	-	3,388
Offsetting	(1,054)	-	-	(1,054)
Deferred tax assets (after offsetting)	-	2,334	-	2,334
<u>Deferred tax liabilities (before offsetting)</u>				
Property, plant and equipment	(1,935)	-	-	(1,935)
AFS financial assets	-	-	(22)	(22)
Financial assets at FVTPL	(19)	-	(367)	(386)
	(1,954)	-	(389)	(2,343)
Offsetting	1,054	-	-	1,054
Deferred tax liabilities (after offsetting)	(900)	-	(389)	(1,289)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

9 DEFERRED TAX (continued)

	COMPANY	
	31.12.2016	31.12.2015
	RM'000	RM'000
Non-current		
Deferred tax liabilities	(185)	(107)
At 1 January	(107)	(122)
(Charged)/credited to profit or loss (Note 31):		
- property, plant and equipment	(78)	15
At 31 December	(185)	(107)
Subject to income tax:		
<u>Deferred tax liabilities (before and after offsetting)</u>		
Property, plant and equipment	(185)	(107)

The amounts of deductible temporary differences, unutilised tax losses and unabsorbed capital allowances (all of which have no expiry date) for which no deferred tax assets are recognised in the statement of financial position as it is not probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilised, are as follows:

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
<u>CONTINUING OPERATIONS</u>		
Deductible temporary differences	507	631
Unutilised tax losses	57,523	56,513
Unabsorbed capital allowances	8,936	8,752
	66,966	65,896
<u>DISCONTINUED OPERATIONS</u>		
Deductible temporary differences	-	(38)
Unutilised tax losses	-	8,448
Unabsorbed capital allowances	-	184
	-	8,594
	66,966	74,490

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Guaranteed Financing	-	40,632	-	-
Islamic debt securities	-	168,738	-	-
Syariah-approved equity securities	-	80,396	-	-
Equity securities	36,779	29,972	5,084	-
Investment-linked units	-	218,518	-	-
Unit trusts	2,086	1,941	-	-
Loans	7,159	6,957	7	4
Fixed and call deposits with licensed banks	133,381	40,228	133,381	19,127
	179,405	587,382	138,472	19,131

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

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Financial assets at FVTPL	2,086	354,855	-	-
AFS financial assets	36,779	144,710	5,084	-
HTM financial assets	-	40,632	-	-
Loans and receivables (Note 11)	140,540	47,185	133,388	19,131
	179,405	587,382	138,472	19,131

The following investments mature after 12 months:

AFS financial assets	-	114,738	-	-
HTM financial assets	-	40,632	-	-
Loans and receivables (Note 11)	2	18	2	2
	2	155,388	2	2

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS (continued)

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(a) <u>Financial assets at FVTPL</u>				
Held-for-trading:				
Unit trusts quoted in Malaysia	2,023	1,873	-	-
Unit trusts quoted outside Malaysia	63	68	-	-
Investment-linked units	-	218,518	-	-
	2,086	220,459	-	-
Designated at FVTPL:				
Shariah-approved equity securities quoted in Malaysia	-	80,396	-	-
Islamic debt securities unquoted in Malaysia	-	54,000	-	-
	-	134,396	-	-
	2,086	354,855	-	-
(b) <u>AFS financial assets</u>				
Fair value:				
Equity securities unquoted in Malaysia	-	1,523	-	-
Equity securities quoted outside Malaysia	5,084	-	5,084	-
Equity securities unquoted outside Malaysia	31,695	28,449	-	-
Islamic debt securities unquoted in Malaysia	-	114,738	-	-
	36,779	144,710	5,084	-
(c) <u>HTM financial assets</u>				
Amortised cost:				
Malaysian Government Guaranteed Financing	-	40,632	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS (continued)

Carrying values of financial assets

The movements in the Group's financial assets (excluding loans and receivables) are summarised in the table below by measurement category:

GROUP

	FVTPL	AFS	HTM	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	321,005	210,714	41,002	572,721
Purchases	409,769	36,004	-	445,773
Disposals including maturities and redemptions	(388,779)	(100,426)	-	(489,205)
Capital reduction	-	(3,389)	-	(3,389)
Dividend income capitalised	60	-	-	60
Fair value gains/(losses) recorded in:				
Profit or loss (Note 25)	13,543	-	-	13,543
Other comprehensive loss				
- Gross fair value changes	-	(1,111)	-	(1,111)
Takaful contract liabilities				
- Gross fair value changes (Note 16)	-	91	-	91
Movement in accrued interest/profit	(755)	(516)	(369)	(1,640)
Amortisation of premiums (Note 23)	-	(694)	(1)	(695)
Arising from deconsolidation of a subsidiary (Note 36)	-	(1,586)	-	(1,586)
Currency translation differences	12	5,623	-	5,635
At 31 December 2015 / 1 January 2016	354,855	144,710	40,632	540,197
Purchases	80,101	3,590	-	83,691
Disposals including maturities and redemptions	(84,628)	(31,495)	-	(116,123)
Dividend income capitalised	67	-	-	67
Fair value gains/(losses) recorded in:				
Profit or loss (Note 25)	(16,706)	-	-	(16,706)
Other comprehensive income				
- Gross fair value changes	-	4,104	-	4,104
Takaful contract liabilities				
- Gross fair value changes (Note 16)	-	1,695	-	1,695
Movement in accrued interest/profit	519	(563)	(3)	(47)
Amortisation of premiums (Note 23)	-	(90)	(1)	(91)
Arising from disposal of a subsidiary (Note 35(a)(ii))	(332,121)	(86,370)	(40,628)	(459,119)
Currency translation differences	(1)	1,198	-	1,197
At 31 December 2016	2,086	36,779	-	38,865

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS (continued)

Carrying values of financial assets (continued)

The movements in the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category:

COMPANY

	AFS
	RM'000
At 1 January 2015	34,647
Fair value gain recorded in other comprehensive income	
- Gross fair value changes	224
Amortisation of premiums (Note 23)	(186)
Movement in accrued interest	(177)
Disposals	(34,508)
At 31 December 2015 / 1 January 2016	-
Purchases	3,070
Fair value gain recorded in other comprehensive income	
- Gross fair value changes	2,014
At 31 December 2016	5,084

Fair values of investment

The following tables show the analysis of the different hierarchy of fair values for investments recorded at fair values and investments not measured at fair value but the fair values are disclosed:

GROUP

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>31 December 2016</u>				
(a) <u>Financial assets at FVTPL</u>				
Held-for-trading:				
Unit trusts quoted in Malaysia	2,023	-	-	2,023
Unit trusts quoted outside Malaysia	-	63	-	63
	2,023	63	-	2,086
(b) <u>AFS financial assets</u>				
Equity securities quoted outside Malaysia	5,084	-	-	5,084
Equity securities unquoted outside Malaysia	-	-	31,695	31,695
	5,084	-	31,695	36,779

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS (continued)

Fair values of investments (continued)

The following tables show the analysis of the different hierarchy of fair values for investments recorded at fair values and investments not measured at fair value but the fair values are disclosed: (continued)

GROUP

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>31 December 2015</u>				
(a) <u>Financial assets at FVTPL</u>				
Held-for-trading:				
Unit trusts quoted in Malaysia	1,873	-	-	1,873
Unit trusts quoted outside Malaysia	-	68	-	68
Investment-linked units	218,518	-	-	218,518
	220,391	68	-	220,459
Designated at FVTPL:				
Shariah-approved equity securities quoted in Malaysia	80,396	-	-	80,396
Islamic debt securities unquoted in Malaysia	-	54,000	-	54,000
	80,396	54,000	-	134,396
	300,787	54,068	-	354,855
(b) <u>AFS financial assets</u>				
Equity securities unquoted in Malaysia	-	-	1,523	1,523
Equity securities unquoted outside Malaysia	-	1	28,448	28,449
Islamic debt securities unquoted in Malaysia	-	114,738	-	114,738
	-	114,739	29,971	144,710
(c) <u>HTM financial assets</u>				
Malaysian Government Guaranteed Financing	-	39,242	-	39,242

COMPANY

	Level 1
	RM'000
<u>31 December 2016</u>	
<u>AFS financial assets</u>	
Equity securities quoted outside Malaysia	5,084

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS (continued)

Fair values of investments (continued)

Valuation techniques – non-market observable inputs (Level 3)

GROUP	AFS RM'000
At 1 January 2015	29,107
Capital reduction	(3,389)
Fair value loss recorded in other comprehensive loss	
- Gross fair value changes	(1,227)
Arising from deconsolidation of a subsidiary	(20)
Currency translation difference	5,500
At 31 December 2015 / 1 January 2016	29,971
Disposal	(1,523)
Fair value gain recorded in other comprehensive income	
- Gross fair value changes	2,049
Currency translation difference	1,198
At 31 December 2016	31,695

The investments above are classified within Level 3 investment for valuation techniques as non-market observable inputs are used. They comprised investments in equity securities of corporation, unquoted in and outside Malaysia. The valuation techniques use the Net Asset Value ("NAV") as a practical expedient to derive the fair values of the investments.

There was no transfer among Level 1, 2, and 3 during the financial year ended 31 December 2016.

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect to the measurement of fair values of financial instruments. This includes a finance team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Executive Committee. The finance team regularly reviews significant unobservable inputs and valuation adjustments.

The significant unobservable input for the investment above is NAV per share. The higher the NAV per share, the higher the estimated fair value.

Sensitivities

	Change in variables %	Fair value RM'000	Impact on Equity RM'000
31 December 2016			
Net asset value	+10%	3,170	2,377
	-10%	(3,170)	(2,377)
31 December 2015			
Net asset value	+10%	2,997	2,248
	-10%	(2,997)	(2,248)

There is no impact to profit before taxation as this is an AFS investment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

10 INVESTMENTS (continued)

Fair values of investments (continued)

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

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, fair values based on broker quotes and discounted cash flow are considered as Level 2 investments.

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

11 LOANS AND RECEIVABLES

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Loans arising from:				
Secured loans	7,152	6,740	-	-
Unsecured loans	7	189	7	4
	7,159	6,929	7	4
Loans from leasing, hire purchase and others	20,905	24,492	-	-
Less: Allowance for impairment loss	(20,905)	(24,464)	-	-
	-	28	-	-
Fixed and call deposits with licensed banks	133,381	40,228	133,381	19,127
	140,540	47,185	133,388	19,131

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

11 LOANS AND RECEIVABLES (continued)

The maturity structure of the loans and receivables is as follows:

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Receivables within 12 months:				
Net loans	7,157	6,939	5	2
Fixed and call deposits with licensed banks	133,381	40,228	133,381	19,127
	140,538	47,167	133,386	19,129
Receivables after 12 months:				
Net loans	2	18	2	2
	140,540	47,185	133,388	19,131

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

The secured loans bear interest at 3.00% (2015: 3.00%) per annum and are repayable on demand.

The weighted average effective interest rate of fixed and call deposits with licensed banks during the financial year was 4.46% (2015: 2.85% to 4.10%) per annum.

The total loans portfolio from leasing, hire purchase and others as at 31 December 2016 included non-performing loans ("NPL") amounting to RM20,905,000 (2015: RM24,464,000), where full allowance for impairment loss has been made. The borrowers of these NPL have committed repayments on agreed fixed repayment schedules and certain NPL are collateralised by properties and/or shares. The Group has assessed the values of the collaterals and/or committed cashflows stream based on the methods prescribed in Note 2.14 to the financial statements and made allowance for impairment loss where appropriate.

The fair values of the collaterals of loans held by the Group as at the date of the statement of financial position was RM18,264,000 (2015: RM13,128,000).

A reconciliation of the allowance for impairment loss for loans from leasing, hire purchase and others is as follows:

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
At 1 January	24,464	24,565
Allowance for impairment loss	-	1
Write back of impairment loss in respect of recoveries	(6)	(93)
Allowance for impairment loss – net (Note 28)	(6)	(92)
Bad debts written off	(3,553)	(9)
At 31 December	20,905	24,464

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

12 TAKAFUL RECEIVABLES

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
Due contributions including agents, brokers and co-takaful balances	-	72,116
Due from retakaful operators and cedants	-	17,618
	-	89,734
Less: Allowance for impairment loss	-	(8,693)
	-	81,041
Receivable within 12 months	-	81,041
<u>Offsetting financial assets and financial liabilities</u>		
Gross amounts of recognised financial assets	-	100,876
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 17)	-	(11,142)
Net amounts of recognised financial assets presented in the statement of financial position	-	89,734

There were no financial assets subject to enforceable netting arrangements or similar agreements, and financial instruments received as collaterals, nor any cash collaterals pledged or received as at 31 December 2016 (2015: Nil).

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

A reconciliation of the allowance for impairment loss for takaful receivables is as follows:

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
At 1 January	8,693	18,828
Write back of impairment loss (Note 30)	(827)	(6,164)
Bad debts written off	-	(1,138)
Arising from deconsolidation of a subsidiary	-	(2,833)
Arising from disposal of a subsidiary	(7,866)	-
At 31 December	-	8,693

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

13 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables of non-insurance subsidiaries	22	30	-	-
Amounts due from subsidiaries				
Amounts due from subsidiaries at gross	-	-	64,219	51,214
Less: Allowance for impairment loss	-	-	(32,636)	(26,129)
	-	-	31,583	25,085
Amounts due from associates	3,617	3,469	-	-
Proceeds from disposal of a subsidiary deposited in escrow account	-	20,590	-	-
Other receivables, deposits and prepayments				
Other receivables, deposits and prepayments, at gross	158,104	44,918	108,876	21,580
Less: Allowance for impairment loss	(30,038)	(28,669)	(8,982)	(7,282)
	128,066	16,249	99,894	14,298
	131,705	40,338	131,477	39,383
Receivables within 12 months	43,755	40,338	43,527	39,383
Receivables after 12 months	87,950	-	87,950	-

A reconciliation of the allowance for impairment loss on amounts due from subsidiaries is as follows:

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	26,129	26,591
Allowance for/(write back of) impairment loss (Note 28)	-	-	6,507	(462)
At 31 December	-	-	32,636	26,129

A reconciliation of the allowance for impairment loss on other receivables is as follows:

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	28,669	20,217	7,282	282
Allowance for impairment loss (Note 30)	1,434	8,452	1,700	7,000
Arising from disposal of a subsidiary	(65)	-	-	-
At 31 December	30,038	28,669	8,982	7,282

The fair values of receivables after 12 months approximates the carrying values as at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

13 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2016, the net amounts due from subsidiaries consist of interest-bearing advances of RM31,583,000 (2015: RM25,085,000). The interest-bearing advances bear interest rates ranging from 3.60% to 7.0% (2015: 3.60% to 7.0%) per annum, unsecured and are repayable on demand.

The amounts due from associates of the Group are non-interest bearing advances, unsecured and repayable on demand.

As at 31 December 2015, the proceeds from disposal of a subsidiary deposited in escrow account of the Group comprised of the following:

- (a) an amount of RM19,295,000 ("Escrow Amount") being the balance sale proceed from the disposal of MAAKL Mutual Berhad to Manulife Holdings Berhad ("Manulife"). The Escrow Amount together with accrued interest, less any amount paid by the escrow agent in connection with any claims for a breach of any of the warranties or indemnities stated in the sale and purchase agreement to Manulife, shall be paid to the vendors on the date falling after 24 months from 31 December 2013, the sale completion date; and
- (b) interest receivable of RM1,295,000 on the Escrow Amount. The Escrow Amount bore an interest rate at 3.30% per annum.

The Group has on 7 January 2016 received the Escrow Amount together with interest therein from Manulife.

Included in other receivables, deposits and prepayments of the Group and the Company were:

- (a) A Retained Consideration of RM93,750,000 from the disposal of MAA Takaful receivable on the third anniversary of the sale completion date falling on 30 June 2018, and a charge for present value adjustment of RM5,800,000 to account for time value of money.

Under the sale and purchase agreement, the Retained Consideration will be used to settle Zurich Insurance Company Ltd ("Zurich")'s claims for breach of representations and warranties and also third party claims against MAA Takaful during the warranty period. As at 31 December 2016, the Group has not been notified of any claim by Zurich.

- (b) An amount of RM20,005,000 (2015: RM20,005,000) ("Extended Sum") extended by the Company to PIMA Pembangunan Sdn Bhd ("PIMA") relating to the Company's obligations to obtain and deliver the individual strata title for Block A of Prima Avenue Klang ("PAK") to Zurich under the conditions precedent in the Settlement Agreement signed with Zurich in 2011 on the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad).

The Extended Sum is secured by identified unsold retail and office units in Block B, unsold car park parcels and site of unbuilt Block C located at PAK ("Securities"). The Extended Sum is to be recovered via sales of the Securities by PIMA in phases within the set timeline in the Joint Venture Agreement signed between the Company and PIMA ("the Sale Plan"). In view that PIMA has failed to realise the Securities under the Sale Plan to settle the Extended Sum, the Company taking into consideration the existing soft property market has made a total impairment loss of RM8.7 million (2015: RM7.0 million) on the Extended Sum based on the forced sale values of the Securities conducted by independent professional valuers.

- (c) A Subscription sum of RM27,255,000 injected into MAA General Assurance Philippines, Inc. ("MAAGAP") to subscribe for additional 300 million new shares of Peso 1,000 per share in MAAGAP which is pending the approval from the regulatory authority in the Philippines as at 31 December 2016, as disclosed in Note 47(d) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

14 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits with licences banks	153,886	336,982	138,744	157,908
Cash and bank balances	3,188	20,263	480	51
	157,074	357,245	139,224	157,959

The weighted average effective interest rate of fixed and call deposits with licensed banks during the financial year ranged from 1.66% to 4.57% (2015: 2.18% to 4.10%) per annum.

15 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 8 September 2015, MAA Corp and ePROTEA MSC Sdn Bhd (now known as Finexus Sdn Bhd) entered into a conditional Share Sale Agreement for the proposed disposal of the entire issued share capital of MAA Cards.

Accordingly the related assets and liabilities of MAA Cards identified for disposal were classified under assets and liabilities held for sale in the financial year ended 31 December 2015.

The components of assets and liabilities held for sale and the related net cash flows attributable to the discontinued operations, MAA Cards were as follows:

	GROUP
	31.12.2015
	RM'000
ASSETS CLASSIFIED AS HELD FOR SALE	
Property, plant and equipment (Note 4)	19
Intangible assets (Note 6)	24
Trade and other receivables	584
Fixed and call deposits	5,453
Cash and cash equivalents	313
	6,393
LIABILITIES CLASSIFIED AS HELD FOR SALE	
Trade and other payables	1,281

On 31 March 2016, MAA Corp completed the disposal of MAA Cards as disclosed in Note 47(c) to the financial statements. Details of the disposal of MAA Cards are disclosed in Note 35(a)(i) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

16 TAKAFUL CONTRACT LIABILITIES

	Note	GROUP					
		31.12.2016			31.12.2015		
		Gross	Retakaful	Net	Gross	Retakaful	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General takaful	(a)	-	-	-	380,799	(258,009)	122,790
Family takaful	(b)	-	-	-	465,993	(12,399)	453,594
		-	-	-	846,792	(270,408)	576,384

(a) General takaful

The General takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2016			31.12.2015		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	-	-	-	152,585	(108,506)	44,079
Provision for IBNR	-	-	-	80,041	(54,805)	25,236
Provision for risk of adverse deviation ("PRAD")	-	-	-	23,008	(17,003)	6,005
Claim liabilities (i)	-	-	-	255,634	(180,314)	75,320
Unearned contribution reserves (ii)	-	-	-	123,661	(77,695)	45,966
AFS reserves (iii)	-	-	-	(211)	-	(211)
Unallocated surplus (iv)	-	-	-	1,715	-	1,715
	-	-	-	380,799	(258,009)	122,790

(i) Claim liabilities

At 1 January	255,634	(180,314)	75,320	247,239	(200,713)	46,526
Claims incurred in the current accident year	93,775	(56,173)	37,602	159,475	(94,831)	64,644
Other movements in claims incurred in prior accident years	(9,438)	6,022	(3,416)	(27,431)	28,028	597
Claims paid during the financial year (Note 29(a))	(67,644)	40,995	(26,649)	(122,839)	84,155	(38,684)
Movement in PRAD	2,897	(1,781)	1,116	(810)	3,047	2,237
	19,590	(10,937)	8,653	8,395	20,399	28,794
Arising from disposal of a subsidiary	(275,224)	191,251	(83,973)	-	-	-
At 31 December	-	-	-	255,634	(180,314)	75,320

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

16 TAKAFUL CONTRACT LIABILITIES (continued)

(a) General takaful (continued)

The General takaful contract liabilities and movements are further analysed as follows: (continued)

	GROUP					
	31.12.2016			31.12.2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
(ii) Unearned contribution reserves						
At 1 January	123,661	(77,695)	45,966	119,279	(79,669)	39,610
Contributions written during the financial year (Note 22(a))	145,527	(91,642)	53,885	281,998	(177,968)	104,030
Contributions earned during the financial year (Note 22(a))	(145,031)	92,828	(52,203)	(277,616)	179,942	(97,674)
	496	1,186	1,682	4,382	1,974	6,356
Arising from disposal of a subsidiary	(124,157)	76,509	(47,648)	-	-	-
At 31 December	-	-	-	123,661	(77,695)	45,966

(iii) AFS reserves

	GROUP		
	Gross	Deferred tax	Net
	RM'000	RM'000	RM'000
At 1 January 2015	(303)	76	(227)
Fair value changes arising from AFS financial assets	(167)	43	(124)
Transferred to profit or loss upon disposal of AFS financial assets	188	(48)	140
	21	(5)	16
At 31 December 2015 / 1 January 2016	(282)	71	(211)
Fair value changes arising from AFS financial assets	362	(90)	272
Transferred to profit or loss upon disposal of AFS financial assets	(43)	10	(33)
	319	(80)	239
Arising from disposal of a subsidiary	(37)	9	(28)
At 31 December 2016	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

16 TAKAFUL CONTRACT LIABILITIES (continued)

(a) General takaful (continued)

The General takaful contract liabilities and movements are further analysed as follows: (continued)

(iv) Unallocated surplus

	GROUP		
	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2015	-	-	-
Surplus generated during the financial year	1,715	-	1,715
At 31 December 2015 / 1 January 2016	1,715	-	1,715
Surplus generated during the financial period	1,439	-	1,439
Arising from disposal of a subsidiary	(3,154)	-	(3,154)
At 31 December 2016	-	-	-

b) Family takaful

The Family takaful contract liabilities and movements are further analysed as follows:

	GROUP					
	31.12.2016			31.12.2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Certificateholders' liabilities	-	-	-	86,907	-	86,907
Net assets values attributable to unitholders	-	-	-	366,096	(10,778)	355,318
Actuarial liabilities	-	-	-	453,003	(10,778)	442,225
Unallocated surplus attributable to unitholders	-	-	-	449	-	449
Accumulated deficits of non-investment-linked units	-	-	-	(16,043)	-	(16,043)
Qardhul Hassan	-	-	-	16,043	-	16,043
Claim liabilities	-	-	-	12,285	(1,621)	10,664
AFS reserves	-	-	-	256	-	256
	-	-	-	465,993	(12,399)	453,594

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

16 TAKAFUL CONTRACT LIABILITIES (continued)

b) Family takaful (continued)

The Family takaful contract liabilities and movements are further analysed as follows: (continued)

	31.12.2016			GROUP 31.12.2015		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	465,993	(12,399)	453,594	445,980	(14,535)	431,445
Contributions received (Note 22(b))	124,399	(7,337)	117,062	250,736	(14,053)	236,683
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 29(b))	(74,112)	5,865	(68,247)	(161,027)	11,307	(149,720)
Movement in claim liabilities	(330)	110	(220)	2,353	(1,211)	1,142
Experience variance on in force takaful certificates	1,169	1,083	2,252	6,920	(2,576)	4,344
Reserves for new policies	(5,046)	1,088	(3,958)	(9,737)	1,650	(8,087)
Miscellaneous	(3,790)	(3,090)	(6,880)	12,133	7,019	19,152
Fees deducted	(41,533)	-	(41,533)	(75,132)	-	(75,132)
Surplus distributed to Shareholders' fund	(5,740)	-	(5,740)	(11,250)	-	(11,250)
Qardhul Hassan	(4,567)	-	(4,567)	4,695	-	4,695
Movement in AFS fair value adjustments						
- Gross fair value changes	1,333	-	1,333	258	-	258
- Transferred to profit or loss upon disposal of AFS financial assets	-	-	-	92	-	92
- Deferred tax	(107)	-	(107)	(28)	-	(28)
	1,226	-	1,226	322	-	322
Arising from disposal of a subsidiary	(457,669)	14,680	(442,989)	-	-	-
At 31 December	-	-	-	465,993	(12,399)	453,594

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

17 TAKAFUL PAYABLES

	GROUP	
	31.12.2016	31.12.2015
	RM'000	RM'000
Due to agents, brokers and co-takaful	-	31,466
Due to retakaful operators and cedants	-	56,771
	-	88,237
Retakaful operators' deposits withheld	-	84
	-	88,321
Payable within 12 months	-	88,321
<u>Offsetting financial assets and financial liabilities</u>		
Gross amounts of recognised financial liabilities	-	99,463
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 12)	-	(11,142)
Net amounts of recognised financial liabilities presented in the statement of financial position	-	88,321

There are no financial liabilities subject to enforceable netting arrangements or similar agreements, and financial instruments received as collaterals, nor any cash collaterals pledged or received as at 31 December 2016 (2015: Nil).

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

18 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Defined contribution retirement plan payable	137	83	51	54
Accrual for unutilised staff leave	227	208	190	179
Commissions payable	-	8,697	-	-
Provision for staff costs	1,831	1,955	1,330	790
Deposits contribution	-	7,410	-	-
Cash collaterals	-	6,530	-	-
Expenses liabilities	-	3,493	-	-
Proceeds from disposal of subsidiary deposited in escrow accounts payable to previous shareholders	-	9,266	-	-
Provision for liquidation fees and expenses of a deconsolidated subsidiary ⁽¹⁾	5,118	5,656	-	-
Other payables and accruals	4,803	27,781	3,044	1,532
	12,116	71,079	4,615	2,555
Payable within 12 months	9,612	67,164	3,578	2,555
Payable after 12 months	2,504	3,915	1,037	-

The carrying amounts disclosed above approximate the fair values as at the date of the statement of financial position.

⁽¹⁾ During the previous financial year ended 31 December 2015, the Group made a provision of RM5.66 million for the liquidation fees and expenses related to an ex-subsiidiary, PT MAAG which was deconsolidated on 1 December 2015. The said provision was based on the appointed liquidators' schedule of fees and expenses and estimation of three (3) years to complete the liquidation of PT MAAG.

19 SHARE CAPITAL

	GROUP/COMPANY	
	31.12.2016	31.12.2015
	RM'000	RM'000
Authorised ordinary shares of RM1 each:		
At beginning and end of financial year	500,000	500,000
Issued and fully paid ordinary shares of RM1 each:		
At beginning of financial year	292,693	304,354
Cancellation of treasury shares (Note 20)	(19,175)	(11,661)
At end of financial year	273,518	292,693

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

20 TREASURY SHARES

The shareholders of the Company by an ordinary resolution passed at the annual General Meeting on 20 June 2016 approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buy-back plan can be applied in the best interest of the Company and its shareholders.

During the financial year ended 31 December 2016, the Company purchased a total 18,665,700 (2015: 10,145,100) ordinary shares of RM1 each of its issued share capital from the open market at an average price of RM0.94 (2015: RM0.71) per share. The total purchase consideration paid for the share buy-back including transaction costs amounted to RM17,617,118 (2015: RM7,178,435) and were financed by internally generated funds. The shares purchased are held as treasury shares in accordance with Section 67A of the Companies Act, 1965 and carried at purchase cost.

On 1 December 2016, the Company cancelled the whole 19,174,500 treasury shares in accordance with Section 67A of the Companies Act, 1965. Accordingly, the Company's issued share capital was diminished by cancellation of the said treasury shares.

As at 31 December 2016, there were no treasury shares held by the Company (2015: 508,800 shares).

Movement in the share buy-back

	Number of shares '000	Total purchase costs RM'000	Purchase price per share		Average price per share RM
			Lowest RM	Highest RM	
At 1 January 2015	2,025	1,312			0.65
January	1,622	1,084	0.66	0.67	0.67
February	696	474	0.68	0.68	0.68
July	300	218	0.73	0.73	0.73
August	6,568	4,627	0.70	0.71	0.70
September	312	228	0.72	0.72	0.73
October	138	103	0.75	0.75	0.75
December	509	444	0.87	0.88	0.87
Total purchased in 2015	10,145	7,178			0.71
Cancellation of treasury shares	(11,661)	(8,046)			
At 31 December 2015 / 1 January 2016	509	444			0.87
January	491	313	0.88	0.90	0.64
February	1,269	1,325	0.90	0.95	1.04
March	419	396	0.94	0.94	0.95
April	2,117	2,052	0.95	0.99	0.97
July	5,435	5,031	0.81	0.99	0.93
August	2,812	2,625	0.88	0.95	0.93
September	5,523	5,303	0.93	0.99	0.96
October	600	572	0.95	0.95	0.95
Total purchased in 2016	18,666	17,617			0.94
Cancellation of treasury shares	(19,175)	(18,061)			
At 31 December 2016	-	-			-

As at 31 December 2016, the number of shares in issue after setting off treasury shares against equity was 273,518,000 (2015: 292,184,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

21 RETAINED EARNINGS AND RESERVES

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Retained earnings	240,164	112,643	152,251	12,084
Reserves				
- Foreign exchange reserves	4,029	(6,246)	-	-
- AFS reserves	3,284	(255)	2,014	-
- Capital redemption reserves	30,836	11,661	30,836	11,661
	38,149	5,160	32,850	11,661
	278,313	117,803	185,101	23,745

Movement in retained earnings

At 1 January	112,643	113,845	12,084	55,033
Profit/(loss) for the financial year	263,307	24,630	275,953	(17,117)
Interim dividends paid (Note 33)	(117,725)	(17,786)	(117,725)	(17,786)
Cancellation of treasury shares (Note 20)	(18,061)	(8,046)	(18,061)	(8,046)
At 31 December	240,164	112,643	152,251	12,084

Movement in foreign exchange reserves

At 1 January	(6,246)	4,360	-	-
Currency translation differences arising during the financial year	10,275	(10,606)	-	-
At 31 December	4,029	(6,246)	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

21 RETAINED EARNINGS AND RESERVES (continued)

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<u>Movement in AFS reserves</u>				
At 1 January	(255)	2,664	-	229
Gross fair value changes	5,799	(1,020)	2,014	224
Transferred to profit or loss upon disposal of AFS financial assets	459	(822)	-	(453)
Deferred tax (Note 9)	(264)	(18)	-	-
Movement in fair value of AFS financial assets, net of tax	5,994	(1,860)	2,014	(229)
Changes in takaful contract liabilities arising from unrealised net fair value changes (Note 16(a)(iii) and (b))	(1,465)	(338)	-	-
Share of fair value changes of AFS financial assets of associates (Note 8)	(990)	(702)	-	-
Arising from deconsolidation of a subsidiary	-	(19)	-	-
At 31 December	3,284	(255)	2,014	-
<u>Movement in capital redemption reserves</u>				
At 1 January	11,661	-	11,661	-
Cancellation of treasury shares (Note 20)	19,175	11,661	19,175	11,661
At 31 December	30,836	11,661	30,836	11,661

The AFS reserves represent the cumulative fair value gains or losses from AFS financial assets of the Group and the Company.

The retained earnings represent the amount available for dividend distribution to the equity shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

22 NET EARNED PREMIUMS/CONTRIBUTIONS

CONTINUING OPERATIONS

		GROUP	
	Note	2016	2015
		RM'000	RM'000
General fund			
(i) Gross earned premiums			
Insurance contracts		-	-
Change in unearned premium reserve		-	1
		-	1
(ii) Premiums ceded to reinsurers			
Insurance contracts		-	-
Change in unearned premium reserve		-	-
		-	-
Net earned premiums		-	1

DISCONTINUED OPERATIONS (Note 32)

(a) General takaful

(i) Gross earned contributions			
Takaful contracts	16(a)(ii)	145,527	281,998
Change in unearned contribution reserve		(496)	(4,382)
	16(a)(ii)	145,031	277,616
(ii) Contributions ceded to retakaful operators			
Takaful contracts	16(a)(ii)	(91,642)	(177,968)
Change in unearned contribution reserve		(1,186)	(1,974)
	16(a)(ii)	(92,828)	(179,942)
Net earned contributions		52,203	97,674

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

22 NET EARNED PREMIUMS/CONTRIBUTIONS (continued)

DISCONTINUED OPERATIONS (Note 32) (continued)

		GROUP	
	Note	2016 RM'000	2015 RM'000
(b) Family takaful			
(i)	Gross earned contributions		
	Takaful contracts	16(b) 124,399	250,736
(ii)	Contributions ceded to retakaful operators		
	Takaful contracts	16(b) (7,337)	(14,053)
	Net earned contributions	117,062	236,683
(c) Total			
(i)	Gross earned contributions		
	Takaful contracts	269,926	532,734
	Change in unearned contribution reserve	(496)	(4,382)
		269,430	528,352
(ii)	Contributions ceded to retakaful operators		
	Takaful contracts	(98,979)	(192,021)
	Change in unearned contribution reserve	(1,186)	(1,974)
		(100,165)	(193,995)
	Net earned contributions	169,265	334,357

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

23 INVESTMENT INCOME

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Rental income from investment properties (Note 5)	248	163	-	-
Financial assets at FVTPL				
Dividend income				
- Equity securities quoted in Malaysia	67	60	-	-
AFS financial assets				
Interest income				
- Corporate debt securities unquoted in Malaysia	239	2,485	239	2,485
Dividend income				
- Equity securities unquoted in Malaysia	-	20	-	-
Amortisation of premiums				
- Corporate debt securities unquoted in Malaysia	-	(186)	-	(186)
	239	2,319	239	2,299
Loans and receivables				
Interest income				
- other secured and unsecured loans	113	162	-	-
- subsidiaries	-	-	2,009	2,079
	113	162	2,009	2,079
Fixed and call deposits interest income	10,532	6,891	9,937	6,178
	11,199	9,595	12,185	10,556

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

23 INVESTMENT INCOME (continued)

DISCONTINUED OPERATIONS (Note 32)

	GROUP	
	2016	2015
	RM'000	RM'000
Financial assets at FVTPL		
Profit income		
- Islamic debt securities unquoted in Malaysia	1,371	3,475
Dividend income		
- Syariah-approved equity securities quoted in Malaysia	867	2,938
	<u>2,238</u>	<u>6,413</u>
AFS financial assets		
Profit income		
- Islamic debt securities unquoted in Malaysia	2,652	7,444
Amortisation of premiums		
- Islamic debt securities unquoted in Malaysia	(90)	(508)
	<u>2,562</u>	<u>6,936</u>
HTM financial assets		
Profit income		
- Malaysian Government Guaranteed Financing	909	1,823
Amortisation of premiums		
- Malaysian Government Guaranteed Financing	(1)	(1)
	<u>908</u>	<u>1,822</u>
Fixed and call deposits interest/profit income	<u>4,137</u>	<u>5,605</u>
	<u>9,845</u>	<u>20,776</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

24 REALISED GAINS AND LOSSES - NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains	222	-	13	-
Realised losses	(4)	(30)	-	(26)
	218	(30)	13	(26)
AFS financial assets				
Realised gains				
- Equity securities unquoted in Malaysia	7	-	-	-
- Equity securities unquoted outside Malaysia	-	121	-	-
- Equity securities quoted outside Malaysia	-	67	-	-
Realised losses				
- Corporate debt securities unquoted in Malaysia	-	(3,918)	-	(3,918)
	7	(3,730)	-	(3,918)
	225	(3,760)	13	(3,944)

DISCONTINUED OPERATIONS (Note 32)

	GROUP	
	2016	2015
	RM'000	RM'000
Financial assets at FVTPL		
Syariah-approved equity securities quoted in Malaysia		
Realised gains	1,631	5,423
Realised losses	-	(1,048)
	1,631	4,375
AFS financial assets		
Islamic debt securities unquoted in Malaysia		
Realised gains	149	325
Realised losses	(270)	(280)
	(121)	45
Realised gains from disposal of subsidiaries (Note 35(a)(i) and (ii))	281,375	-
	282,885	4,420

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

25 FAIR VALUE GAINS AND LOSSES - NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fair value gains on investment properties (Note 5)	2,011	1,778	-	-
Financial assets at FVTPL				
Net fair value gains/(losses)				
- Unit trusts quoted outside Malaysia	(4)	(16)	-	-
- investment-linked units	83	(61)	-	-
	79	(77)	-	-
	2,090	1,701	-	-

DISCONTINUED OPERATIONS (Note 32)

	GROUP	
	2016	2015
	RM'000	RM'000
Financial assets at FVTPL		
Net fair value gains/(losses)		
- Islamic debt securities unquoted in Malaysia	-	(82)
- Syariah-approved equity securities quoted in Malaysia	22	13,458
- investment-linked units	(16,807)	244
	(16,785)	13,620

26 FEE AND COMMISSION INCOME

DISCONTINUED OPERATIONS (Note 32)

Retakaful commission income	19,730	41,876
-----------------------------	--------	--------

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

27 OTHER OPERATING REVENUE FROM NON-INSURANCE BUSINESSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue from non-insurance businesses				
- management fee income	25	12	944	1,294
- interest income from hire purchase, leasing and other credit activities	28	29	-	-
- fee income from education services	6,533	6,798	-	-
- others	274	226	-	-
	6,860	7,065	944	1,294

DISCONTINUED OPERATIONS (Note 32)

	GROUP	
	2016	2015
	RM'000	RM'000
Revenue from non-insurance businesses		
- income from card services	104	269

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

28 OTHER OPERATING INCOME/(EXPENSES) – NET

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- written off (Note 4)	(61)	-	(18)	-
- allowance for impairment loss (Note 4)	(12)	(838)	-	-
Intangible assets written off (Note 6)	(1)	-	-	-
Bad debts recovered/(written off)	63	(82)	-	-
(Allowance for)/write back of impairment loss on:				
- investments in subsidiaries (Note 7)	-	-	-	(1,274)
- amounts due from subsidiaries (Note 13)	-	-	(6,507)	462
- loans from leasing, hire purchase and others – net (Note 11)	6	92	-	-
Income from claim liabilities waived*	-	171	-	-
Realised foreign exchange gain/(loss)	17	(7)	-	-
Unrealised foreign exchange (loss)/gain	(632)	3,960	11,755	-
Net gain after impairment loss from deconsolidation of a subsidiary (Note 36)	-	48,324	-	-
Disposal costs of MAA Takaful	(1,780)	-	(1,780)	-
Present value adjustment on Retained Consideration (Note 13)	(5,800)	-	(5,800)	-
Others	973	4,005	224	340
	(7,227)	55,625	(2,126)	(472)

* Arose from the agreed claim liabilities hair-cut settlement with insurance payables by the Group's deconsolidated insurance subsidiary in Indonesia during the previous financial year.

DISCONTINUED OPERATIONS (Note 32)

	GROUP	
	2016	2015
	RM'000	RM'000
Property, plant and equipment written off (Note 4)	(16)	(66)
Intangible assets written off (Note 6)	(383)	-
Write back of takaful payables	6,666	-
Others	417	(1,337)
	6,684	(1,403)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

29 NET INSURANCE/TAKAFUL BENEFITS AND CLAIMS

CONTINUING OPERATIONS

		GROUP	
		2016	2015
		RM'000	RM'000
General fund			
(i)	Gross benefits and claims paid	-	(6,463)
(ii)	Claims ceded to reinsurers	-	3,010
(iii)	Gross change to contract liabilities	-	11,954
(iv)	Change in contract liabilities ceded to reinsurers	-	(6,497)
Net insurance benefits and claims		-	2,004

DISCONTINUED OPERATIONS (Note 32)

(a) General takaful

(i) Gross benefits and claims paid	16(a)(i)	(67,644)	(122,839)
(ii) Claims ceded to retakaful operators	16(a)(i)	40,995	84,155
(iii) Gross change to contract liabilities		(21,028)	(10,111)
(iv) Change in contract liabilities ceded to retakaful operators		10,937	(20,399)
Net takaful benefits and claims		(36,740)	(69,194)

(b) Family takaful

(i) Gross benefits and claims paid	16(b)	(74,112)	(161,027)
(ii) Claims ceded to retakaful operators	16(b)	5,865	11,307
(iii) Gross change to contract liabilities		9,816	(15,269)
(iv) Change in contract liabilities ceded to retakaful operators		2,171	(925)
Net takaful benefits and claims		(56,260)	(165,914)

(c) Total

(i) Gross benefits and claims paid		(141,756)	(283,866)
(ii) Claims ceded to retakaful operators		46,860	95,462
(iii) Gross change to contract liabilities		(11,212)	(25,380)
(iv) Change in contract liabilities ceded to retakaful operators		13,108	(21,324)
Net takaful benefits and claims		(93,000)	(235,108)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

30 MANAGEMENT EXPENSES

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Staff costs (including Executive Directors)				
- salaries and bonus	16,667	15,405	10,946	8,925
- defined contribution retirement benefits	2,534	2,058	1,697	1,354
- annual leave	18	(91)	10	(79)
- other staff benefits	572	310	175	186
	19,791	17,682	12,828	10,386
Depreciation of property, plant and equipment (Note 4)	828	853	439	423
Amortisation of intangible assets (Note 6)	86	85	71	71
Amortisation of leases (Note 4)	2	2	-	-
Auditors' remuneration				
- statutory audit				
- current year	299	176	235	112
- under provision in prior financial year	40	27	40	44
- audit related services				
- under provision in prior years	150*	-	150*	-
- non-audit related services				
- current year	570*	-	570*	-
Auditors' remuneration payable/paid to other audit firms	57	85	-	-
Non-executive Directors' fees and other emoluments	299	300	257	248
Tutors' fees for education services	769	680	-	-
Fees paid to a company in which certain Directors have an interest	241	228	219	204
Allowance for impairment loss on other receivables (Note 13)	1,407	8,431	1,700	7,000
Office rental	1,644	1,648	421	421
Staff training expenses	39	50	36	31
Computer expenses	311	431	281	401
Advertising, promotional and entertainment expenses	953	715	752	561
Motor vehicle, accommodation and travelling expenses	1,689	1,563	1,369	1,070
Printing and stationery	411	333	130	106
Postage, telephone and fax	135	139	68	68
Professional fees	2,587	1,883	2,461	1,164
Staff amenities	194	164	112	126
Electricity and water	277	288	34	46
Expenses of investment properties (Note 5)	603	543	-	-
Security charges	401	451	401	451
Provision for liquidation fees and expenses of a deconsolidated subsidiary	-	5,656	-	-
Others	3,408	2,779	1,810	1,633
	37,191	45,192	24,384	24,566

* Disposal costs of MAA Takaful

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

30 MANAGEMENT EXPENSES (continued)

DISCONTINUED OPERATIONS (Note 32)

	GROUP	
	2016	2015
	RM'000	RM'000
Staff costs		
- salaries and bonus	18,529	31,555
- defined contribution retirement benefits	2,897	4,583
	21,426	36,138
Depreciation of property, plant and equipment (Note 4)	1,287	2,502
Amortisation of intangible assets (Note 6)	637	1,388
Auditors' remuneration		
- statutory audit		
- current year	154	461
- under provision in prior financial year	195	275
- non-audit related services		
- current year	6	12
Bad debts written off	-	6
Fees paid to a company in which certain Directors have an interest	91	112
Allowance for impairment loss on other receivables (Note 13)	27	21
Write back of impairment loss on takaful receivables (Note 12)	(827)	(6,164)
Office rental	1,420	2,999
Rental of office equipment	44	91
Agency and staff training expenses	1,687	3,334
Repairs and maintenance	755	1,771
EDP expenses	1,579	3,110
Advertising, promotional and entertainment expenses	3,644	6,963
Motor vehicle, accommodation and travelling expenses	943	1,830
Printing and stationery	1,469	1,812
Postage, telephone and fax	522	904
Professional fees	1,678	3,039
Staff amenities	242	487
Electricity and water	388	826
Credit card charges	584	1,499
Manage care organisation fees	1,264	949
Motor club expenses	635	1,325
Policy stamping fees	445	1,018
Visa fees, outsourcing fees and other direct costs payable for debit cards operations	144	1,175
Others	3,566	8,359
	44,005	76,242

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

30 MANAGEMENT EXPENSES (continued)

Remuneration and emoluments received by Directors and Chief Executive Officers of the Group and the Company during the financial year were as follows:

CONTINUING OPERATIONS

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive Directors:				
- salaries	4,205	4,059	3,779	3,651
- bonus	2,010	1,125	1,939	1,057
- defined contribution retirement benefits	1,032	800	964	736
- other emoluments	267	-	254	-
- estimated monetary value of benefits-in-kind	109	112	81	92
	7,623	6,096	7,017	5,536
Non-executive Directors:				
- fees	220	230	180	180
- other emoluments	79	70	77	68
	299	300	257	248
	7,922	6,396	7,274	5,784
Chief Executive Officers:				
- salaries	1,288	1,511	1,288	1,244
- bonus	1,417	427	1,417	405
- defined contribution retirement benefits	454	256	454	256
- other emoluments	134	-	134	-
- estimated monetary value of benefits-in-kind	51	46	51	46
	3,344	2,240	3,344	1,951

DISCONTINUED OPERATIONS

	GROUP	
	2016	2015
	RM'000	RM'000
Executive Directors:		
- fees	22	45
- other emoluments	10	16
	32	61
Non-executive Directors:		
- fees	196	459
- other emoluments	66	125
	262	584
	294	645
Chief Executive Officer:		
- salaries	384	709
- bonus	182	118
- defined contribution retirement benefits	86	132
- estimated monetary value of benefits-in-kind	10	21
	662	980

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

31 TAXATION

CONTINUING OPERATIONS

	GROUP	
	Shareholders' fund	Total
	RM'000	RM'000
<u>2016</u>		
Current tax	(12)	(12)
Deferred tax (Note 9)	78	78
Tax expenses	66	66
<u>Current tax</u>		
Current financial year	1	1
Over provision in prior financial years	(13)	(13)
	(12)	(12)
<u>Deferred tax</u>		
Origination and reversal of temporary differences	78	78
	66	66
<u>2015</u>		
Current tax	125	125
Deferred tax (Note 9)	(15)	(15)
Tax expenses	110	110
<u>Current tax</u>		
Current financial year	111	111
Under provision in prior financial years	14	14
	125	125
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(15)	(15)
	110	110

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

31 TAXATION (continued)

DISCONTINUED OPERATIONS (Note 32)

	GROUP			
	Shareholders' fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Current tax	3,705	1,919	572	6,196
Deferred tax (Note 9)	24	234	(1,345)	(1,087)
Tax expenses	3,729	2,153	(773)	5,109
<u>Current tax</u>				
Current financial year	3,705	1,919	572	6,196
<u>Deferred tax</u>				
Origination and reversal of temporary differences	24	234	(1,345)	(1,087)
	3,729	2,153	(773)	5,109
<u>2015</u>				
Current tax	9,406	96	1,066	10,568
Deferred tax (Note 9)	19	874	968	1,861
Tax expenses	9,425	970	2,034	12,429
<u>Current tax</u>				
Current financial year	2,694	96	1,310	4,100
Under/(over) provision in prior financial years	6,712	-	(244)	6,468
	9,406	96	1,066	10,568
<u>Deferred tax</u>				
Origination and reversal of temporary differences	19	874	968	1,861
	9,425	970	2,034	12,429

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

31 TAXATION (continued)

	COMPANY	
	2016	2015
	RM'000	RM'000
Deferred tax (Note 9)	78	(15)
Tax expenses/(income)	78	(15)
<u>Deferred tax</u>		
Origination and reversal of temporary differences	78	(15)

Tax expenses/(income) comprised the following:

	GROUP			
	Shareholders' fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
<u>2016</u>				
Continuing operations	66	-	-	66
Discontinued operations	3,729	2,153	(773)	5,109
Tax expenses/(income)	3,795	2,153	(773)	5,175
<u>2015</u>				
Continuing operations	110	-	-	110
Discontinued operations	9,425	970	2,034	12,429
Tax expenses	9,535	970	2,034	12,539

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

31 TAXATION (continued)

Numerical reconciliation between the average effective tax rate and the statutory tax rate:

	GROUP		COMPANY	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation				
- Continuing operations	(19,316)	30,829	(13,368)	(17,132)
- Discontinued operations	288,250	4,801	289,399	-
	268,934	35,630	276,031	(17,132)
Tax expenses attributable to participants	(1,380)	(3,004)	-	-
Profit/(loss) before taxation	267,554	32,626	276,031	(17,132)
Taxation at Malaysia statutory tax rate of 24% (2015: 25%)	64,213	8,157	66,247	(4,283)
Tax effects of:				
- expenses not deductible for tax purposes	6,908	7,435	5,092	3,428
- income not taxable for tax purposes	(69,129)	(13,350)	(72,763)	-
- tax losses not recognised	1,826	1,493	1,506	840
- benefits from previous year unrecognised deductible temporary differences	-	(863)	-	-
- deductible temporary differences not recognised	-	2	-	-
- effects of different tax rates in foreign jurisdictions	(6)	11	-	-
- tax expenses attributable to participants	1,380	3,004	-	-
- utilisation of tax losses	-	135	-	-
- utilisation of capital allowances	-	(9)	-	-
- (over)/under provision in prior financial years	(13)	6,726	-	-
- re-measurement of deferred tax due to changes in tax rate	(4)	(202)	(4)	-
Total tax expenses/(income)	5,175	12,539	78	(15)

The taxation charge in profit or loss of the Group relates to income attributable to the Company and the Group's General and Shareholders' funds.

The taxation charge on the Group's General takaful fund and Family takaful fund is based on the method prescribed under the Income Tax Act, 1967.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

32 DISCONTINUED OPERATIONS

		GROUP	
	Note	2016	2015
		RM'000	RM'000
Gross earned contributions	22(c)	269,430	528,352
Contributions ceded to retakaful operators	22(c)	(100,165)	(193,995)
Net earned contributions		169,265	334,357
Investment income	23	9,845	20,776
Realised gains and losses - net	24	282,885	4,420
Fair value gains and losses - net	25	(16,785)	13,620
Fee and commission income	26	19,730	41,876
Other operating revenue from non-insurance businesses	27	104	269
Other operating income/(expenses)- net	28	6,684	(1,403)
Other revenue		302,463	79,558
Total revenue		471,728	413,915
Gross benefits and claims paid	29(c)	(141,756)	(283,866)
Claims ceded to retakaful operators	29(c)	46,860	95,462
Gross change to contract liabilities	29(c)	(11,212)	(25,380)
Change in contract liabilities ceded to retakaful operators	29(c)	13,108	(21,324)
Net takaful benefits and claims		(93,000)	(235,108)
Fee and commission expenses		(46,143)	(97,315)
Management expenses	30	(44,005)	(76,242)
Expense liabilities		(330)	(377)
Other expenses		(90,478)	(173,934)
Profit before zakat		288,250	4,873
Zakat		-	(72)
Profit after zakat		288,250	4,801
Tax expenses attributable to participants		(1,380)	(3,004)
Profit before taxation		286,870	1,797
Taxation	31	(5,109)	(12,429)
Tax expenses attributable to participants		1,380	3,004
Tax expenses attributable to Shareholders' fund		(3,729)	(9,425)
Profit/(loss) for the financial year		283,141	(7,628)

The financial results of discontinued operations for the financial year ended 31 December 2016 represent MAA Takaful and MAA Cards, subsidiaries disposed during the financial year as disclosed respectively in Note 47(b) and (c) to the financial statements. The comparatives have been restated to include the financial results of those disposed subsidiaries.

COMPANY

The profit of RM289,399,000 for the financial year ended 31 December 2016 comprised of realised gain from disposal of MAA Takaful as disclosed in Note 35(a)(ii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

33 DIVIDENDS

In respect of the financial year ended 31 December 2016, the following dividend payments were made:

- (a) a first interim dividend of 3 sen per share under the single-tier dividend system totalling RM8,712,698 on 31 March 2016;
- (b) an interim special dividend of 35 sen per ordinary share under the single-tier dividend system totalling RM100,760,468 on 5 August 2016; and
- (c) a second interim dividend of 3 sen per ordinary share under the single-tier dividend system totalling RM8,251,667 on 10 October 2016.

In respect of the previous financial year ended 31 December 2015, the following dividend payments were made:

- (a) a first interim dividend of 3 sen per share under the single-tier dividend system totalling RM9,000,302 on 30 April 2015; and
- (b) a second interim dividend of 3 sen per share under the single-tier dividend system totalling RM8,785,634 on 9 October 2015.

The Directors do not recommend the payment of any final dividend for the financial year.

The Company paid a first interim dividend of 6 sen per share under the single-tier dividend system totalling RM16,411,065 on 31 March 2017 in respect of the financial year ending 31 December 2017.

34 BASIC EARNINGS PER SHARE - GROUP

The basic earnings per ordinary share have been calculated by dividing the Group's total net profit from continuing and discontinued operations after NCI as stated below over the weighted average number of ordinary shares of the Company in issue during the financial year of 284,268,000 shares (2015: 297,846,000 shares), net of treasury shares.

	2016	2015
	RM'000	RM'000
(Loss)/profit for the financial year from continuing operations after NCI	(19,382)	30,604
Profit/(loss) for the financial year from discontinued operations after NCI	282,689	(5,974)
Profit for the financial year attributable to the owners of the Company	263,307	24,630

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

35 DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries carried out during the financial year ended 31 December 2016 were:

- (i) On 31 March 2016, MAA Corp completed the disposal of its entire equity interest in MAA Card for a total cash consideration of the aggregate of RM1.0 million and the amount equivalent to the final net current asset of MAA Card on completion date, as disclosed in Note 47(c) to the financial statements.

Following the completion of the disposal, MAA Cards ceased to be subsidiary of the Group.

Details of the disposal of MAA Cards are as follows:

GROUP

	At date of disposal
	RM'000
Property, plant and equipment	15
Intangible assets	18
Trade and other receivables	400
Fixed and call deposits	5,537
Cash and cash equivalents	534
Trade and other payables	(1,456)
Net assets	5,048
Net disposal proceeds	(6,015)
Gain on disposal to the Group (Note 24)	<u>(967)</u>

The net cash flow on disposal was determined as follows:

Net cash received	6,015
Cash and cash equivalents of disposed subsidiary	(534)
Cash inflow to the Group on disposal	<u>5,481</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

35 DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries carried out during the financial year ended 31 December 2016 were: (continued)

- (ii) On 30 June 2016, the Company completed the disposal of its 75% equity interest in MAA Takaful to Zurich for a cash consideration of RM393.75 million, as disclosed in Note 47(b) to the financial statements.

Following the completion of the disposal, MAA Takaful ceased to be subsidiary of the Group.

Details of the disposal of MAA Takaful are as follows:

GROUP	At date of disposal RM'000
Property, plant and equipment (Note 4)	9,661
Intangible assets (Note 6)	2,745
Deferred tax assets	2,964
Retakaful assets	282,440
Investments	475,275
Financial assets at FVTPL	332,121
AFS financial assets	86,370
HTM financial assets	40,628
Loans and receivables	16,156
Takaful receivables	55,075
Other receivables	15,569
Cash and cash equivalents	264,211
Takaful contract liabilities (Note 16)	(860,232)
Deferred tax liabilities	(989)
Takaful payables	(79,177)
Other payables	(49,257)
Current tax liabilities	(6,053)
Net assets	112,232
Less: NCI	(28,241)
Net disposal proceeds (*)	83,991
	(364,399)
Gain on disposal to the Group (Note 24)	(280,408)
The net cash flow on disposal was determined as follows:	
Net disposal proceeds (*)	364,399
Less: Retained Consideration (**)	(93,750)
Net cash received	270,649
Cash and cash equivalents of disposed subsidiary	(264,211)
Cash inflow to the Group on disposal	6,438

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

35 DISPOSAL OF SUBSIDIARIES (continued)

(a) Disposal of subsidiaries carried out during the financial year ended 31 December 2016 were: (continued)

(ii) Details of the disposal of MAA Takaful are as follows: (continued)

<u>COMPANY</u>	At date of disposal RM'000
Cost of investment	75,000
Net disposal proceeds (*)	(364,399)
Gain on disposal to the Company (Note 32)	<u>289,399</u>
The net cash flow on disposal was determined as follows:	
Net disposal proceeds (*)	364,399
Less: Retained Consideration (**)	(93,750)
Net cash received	<u>270,649</u>

*The net disposal proceeds of the Group are derived from sale consideration of RM393,750,000 less a downward adjustment of RM29,351,000 pursuant to income statement and statement of financial position of MAA Takaful for the period from 1 January 2015 to the completion date on 30 June 2016, which were prepared in accordance with the terms of the SPA and agreed by all parties.

**The Retained Consideration of RM93,750,000 from the disposal of MAA Takaful will be receivable on the third anniversary of the sale completion date failing on 30 June 2018.

(b) Disposal of subsidiary carried out during the previous financial year ended 31 December 2015 was:

On 20 May 2015, MAA Corporate Advisory Sdn Bhd completed the disposal of its entire equity interest in MAACACS for a total cash consideration of RM10.

Following the completion of the disposal, MAACACS ceased to be subsidiary of the Group.

Details of the disposal of MAACACS were as follows:

<u>GROUP</u>	At date of disposal RM'000
Cash and cash equivalents	9
Other payables	(9)
Net assets	<u>-</u>
Net disposal proceeds	-(*)
Gain on disposal to the Group (Note 24)	<u>-</u>
The net cash flow on disposal was determined as follows:	
Net cash received	-(*)
Cash and cash equivalents of disposed subsidiary	(9)
Cash outflow to the Group on disposal	<u>(9)</u>

(*) Denotes RM10.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

36 DECONSOLIDATION OF A SUBSIDIARY

On 14 September 2015, the Company announced that PT MAAG received a letter dated 10 September 2015 from Otoritas Jasa Keuangan ("OJK"), the Indonesia Financial Services Authority, informing PT MAAG that its operating license had been revoked with effect from 3 September 2015. OJK performs its regulatory and supervisory duties over financial services activities including insurance activities in Indonesia. Based on the terms and conditions contained in the said letter, PT MAAG was required to appoint a liquidator or form a liquidation team within 30 days from the date of the revocation letter. PT MAAG had submitted an application to OJK to seek extension of time till end of November 2015 to appoint a liquidator.

On 30 September 2015, PT MAAG passed a members' resolution to approve the dissolution and winding up of the company. On 1 December 2015, Tuan Dharma Azhar Demonic, S.H. and Tuan Romanus Muda Kota, S.H. of SRD & Co Lawyers were appointed as liquidators to facilitate the member's voluntary winding up of PT MAAG.

Following the appointment of the liquidators, the Company had relinquished its control and involvement in the operation and financial matters of PT MAAG to the liquidators. Accordingly, PT MAAG had ceased to be a subsidiary of the Group with effect from 1 December 2015 and had been deconsolidated from group consolidated accounts on that date.

Details of the deconsolidation of PT MAAG were as follows:

GROUP	At date of deconsolidation
	RM'000
Property, plant and equipment (Note 4)	29
AFS financial assets	1,586
Loans and receivables	478
Insurance receivables	59,927
Trade and other receivables	151
Cash and cash equivalents	1,094
Insurance contract liabilities (Note 36(i))	(24,975)
Insurance payables	(94,977)
Trade and other payables	(23,223)
Net liabilities	(79,910)
Less: NCI	(9,242)
Gain on deconsolidation	(89,152)
Less: impairment loss on investment in PT MAAG	20,696
Less: impairment loss on amount due from PT MAAG	20,132
Net gain after impairment loss on deconsolidation to the Group (Note 28)	(48,324)
The net cash flow on deconsolidation was determined as follows:	
Net cash received	-
Cash and cash equivalents of deconsolidated subsidiary	(1,094)
Cash outflow to the Group on deconsolidated	(1,094)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

36 DECONSOLIDATION OF A SUBSIDIARY (continued)

(i) Insurance contract liabilities

The insurance contract liabilities and movements were further analysed as follows:

	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities (a)	24,975	-	24,975
Premium liabilities (b)	1	(1)	-
	<u>24,976</u>	<u>(1)</u>	<u>24,975</u>

(a) Claim liabilities

At 1 January 2015	34,855	(6,508)	28,347
Claims incurred in the current accident period	(4,029)	3,373	(656)
Claims paid during the financial period (Note 29)	(6,463)	3,010	(3,453)
Movement in IBNR	(1,462)	114	(1,348)
	(11,954)	6,497	(5,457)
Currency translation differences	2,074	11	2,085
At 30 November 2015	<u>24,975</u>	<u>-</u>	<u>24,975</u>

(b) Premium liabilities

At 1 January 2015	2	(1)	1
Premiums written during the financial period (Note 22)	-	-	-
Premiums earned during the financial period (Note 22)	(1)	-	(1)
	(1)	-	(1)
At 30 November 2015	<u>1</u>	<u>(1)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

37 CAPITAL AND OTHER COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the date of the statement of financial position but not yet incurred is as follows:

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- Office renovation	-	114	-	-

(b) Operating lease commitments

The Group and the Company lease various offices under operating lease agreements. The lease terms are between 1 and 3 years, and majority of the lease agreements are renewable at the end of the lease period at market rate. The lease expenditure (office rental) charged to profit or loss during the year is disclosed in Note 30 to the financial statements.

The future aggregate lease payments under operating leases are as follows:

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
No later than 1 year	775	3,356	386	421
Later than 1 year and no later than 3 years	-	2,846	-	386
	775	6,202	386	807

38 SIGNIFICANT RELATED PARTY DISCLOSURES

Related parties and relationships

The subsidiaries and associates of the Company are disclosed in Notes 7 and 8 to the financial statements respectively. The other related parties of, and their relationships with the Group and the Company are as follows:

<u>Related party</u>	<u>Relationship</u>
Melewar Equities Sdn Bhd	Substantial shareholder of the Company
Melewar Khyra Sdn Bhd	Substantial shareholder of the Company
Trace Management Services Sdn Bhd	Company controlled by certain Directors of the Company
Melewar Industrial Group Berhad	Company controlled by certain Directors of the Company

Significant related party transactions

During the financial year, the Group and the Company undertook various transactions based on agreed terms and conditions with its subsidiaries, associates and other companies deemed related parties as disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

38 SIGNIFICANT RELATED PARTY DISCLOSURES (continued)

Significant related party transactions (continued)

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

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with subsidiaries:</u>				
Interest income from advances to subsidiaries	-	-	2,009	2,079
Management fee income from subsidiaries	-	-	869	1,239
Office support fee income from subsidiaries	-	-	60	55
<u>Transactions with related parties:</u>				
Rental income receivable from:				
Melewar Industrial Group Berhad	80	80	-	-
Melewar Equities Sdn Bhd	52	52	-	-
Trace Management Services Sdn Bhd	51	103	-	-
Office service fee income receivable from:				
Melewar Industrial Group Berhad	18	18	-	-
Melewar Equities Sdn Bhd	12	12	-	-
Company secretarial and related fees payable to Trace Management Services Sdn Bhd	(332)	(340)	(219)	(204)

Related party receivables/payables

The balances with related parties at the financial year end are disclosed in Note 13 to the financial statements.

Key management personnel

Key management personnel received remuneration for services rendered during the financial year. The key management personnel of the Group and of the Company comprised the Chief Executive Officers and Executive Directors. The total compensations paid to the Group's and the Company's key management personnel are disclosed in Note 30 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

39 SEGMENTAL INFORMATION

The following segment information has been prepared in accordance with MFRS 8 'Operating Segments', which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

During the current financial year, the Group has reassessed its operating segments in accordance with MFRS 8.13. Based on the assessment, the Group has identified education services, retail mortgage lending and loan securitisation which met the quantitative thresholds as the Group's additional operating segments. In order to conform to the current financial year's presentation of segmental information, the preceding financial year's segmental information of the additional operating segments have been restated accordingly.

The Group's operating segments as described below are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they employ different technology and marketing strategies. The operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee of the Company (the chief operating decision maker).

The following summary describes the operations in each of the Group's operating segments for the current financial year ended 31 December 2016:

- Investment holdings
- Education services
- Retail mortgage lending and loan securitisation
- General insurance - underwriting all classes of general insurance business
- Family takaful business - underwriting family takaful business(*)
- General takaful business - underwriting general takaful business(*)
- Shareholders' fund of the takaful businesses(*)

Other segments comprise hire purchase, leasing and other credit activities, consultancy services and card business.

*Discontinued operations

Other than the stated above, there have been no material changes in total assets, the basis of segmentation and the basis of measurement of segment profit or loss from the last annual financial statements, except:

- (i) in the previous financial year PT MAAG, a subsidiary which carried out the general insurance business was recognised as operating segment for 11 months period ended 30 November 2015 before it was deconsolidated from group consolidated account with effect from 1 December 2015 when liquidators were appointed to commence the shareholders voluntary winding of the company; and
- (ii) as disclosed in Note 47(b) and (c) to the financial statements, the Company has completed the disposal of MAA Takaful and MAA Cards on 30 June 2016 and 31 March 2016 respectively. Accordingly the total assets and liabilities of MAA Takaful and MAA Cards were deconsolidated upon disposal as they had ceased to be subsidiaries of the Group.

Measurement and Evaluation of Segment Performance

The Executive Committee evaluates operating segments' performance on the basis of revenue and profit. Expenses directly associated with each operating segment are included in determining their respective profits. Transactions between operating segments are based on mutually agreed allocation bases. In addition to the operating segments, the segment information also discloses non inter-segment eliminations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

39 SEGMENTAL INFORMATION (continued)

Financial year ended 31 December 2016

	Investment holdings	Education services	Retail mortgage lending and loan securitisation	General insurance	General takaful fund	Family takaful fund	Shareholders' fund	Takaful	Other segments	Total	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	11,366	-	6,536	-	148,280	129,143	1,814	157	142	297,438	-	297,438
Net earned contributions (Note 22)	-	-	-	-	52,203	117,062	-	-	-	169,265	-	169,265
Interest/profit income (Note 23)	10,832	-	3	-	3,302	3,913	1,816	49	38	19,953	-	19,953
Write back of impairment loss on loans from leasing, hire purchase and others – net (Note 28)	-	-	-	-	-	-	-	6	-	6	-	6
Other revenue	(4,583)	281,375	6,625	-	27,322	(13,647)	90,248	215	104	387,659	(92,008)	295,651
Net takaful benefits and claims (Note 29)	-	-	-	-	(36,740)	(56,260)	-	-	-	(93,000)	-	(93,000)
Allowance for impairment loss on other receivables (Note 30)	(1,945)	-	-	-	(27)	-	-	-	-	(1,972)	-	(1,972)
Write back of impairment loss on takaful receivables (Note 30)	-	-	-	-	827	-	-	-	-	827	-	827
Other expenses	(25,429)	-	(6,577)	-	(44,734)	(47,274)	(89,017)	(2,326)	(337)	(215,694)	92,008	(123,686)
Depreciation (Note 30)	(728)	-	(98)	-	-	-	(1,283)	(2)	(4)	(2,115)	-	(2,115)
Amortisation (Note 30)	(71)	-	(8)	-	-	-	(631)	(7)	(6)	(723)	-	(723)
(Loss)/profit by segments	(21,924)	281,375	(55)	-	2,153	3,794	1,133	(2,065)	(205)	264,206	-	264,206
Tax (expenses)/income attributable to participants	-	-	-	-	(2,153)	773	-	-	-	(1,380)	-	(1,380)
	(21,924)	281,375	(55)	-	-	4,567	1,133	(2,065)	(205)	262,826	-	262,826
Share of profit of associates	-	-	-	1,519	3,209	-	-	-	-	4,728	-	4,728
(Loss)/profit before taxation	(21,924)	281,375	(55)	1,519	3,209	4,567	1,133	(2,065)	(205)	267,554	-	267,554

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

39 SEGMENTAL INFORMATION (continued)

Financial year ended 31 December 2015

	Investment holdings	Education services	Retail mortgage lending and loan securitisation	General insurance	General takaful fund	Family takaful fund	Shareholders' fund	Takaful	Other segments	Total	Inter-segment elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued	Discontinued	Discontinued	RM'000	RM'000	RM'000
Continuing	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Discontinued	Discontinued	Discontinued	RM'000	RM'000	RM'000
External revenue	9,532	-	6,804	-	165	283,138	261,976	3,866	417	566,058	-	566,058
Net earned premiums/contributions (Note 22)	-	-	-	-	1	97,674	236,683	-	-	334,358	-	334,358
Interest/profit income (Note 23)	9,304	6	-	-	164	5,708	8,526	3,965	148	27,885	-	27,885
Write back of impairment loss on loans from leasing, hire purchase and others – net (Note 28)	-	-	-	-	-	-	-	-	-	92	-	92
Other revenue	51,085	6,815	-	-	259	39,564	19,131	181,708	269	301,268	(179,461)	121,807
Net insurance/takaful benefits and claims (Note 29)	-	-	-	-	2,004	(69,194)	(165,914)	-	-	(233,104)	-	(233,104)
(Allowance for)/write back of impairment loss on other receivables (Note 30)	(8,637)	-	-	-	-	(21)	-	-	206	(8,452)	-	(8,452)
Write back of impairment loss on insurance/takaful receivables (Note 30)	-	-	-	-	-	4,664	1,500	-	-	6,164	-	6,164
Other expenses	(26,496)	(6,066)	-	-	(1,724)	(76,874)	(102,587)	(174,437)	(1,750)	(391,471)	179,461	(212,010)
Depreciation (Note 30)	(763)	(55)	(55)	(29)	(29)	-	-	(2,488)	(14)	(3,355)	-	(3,355)
Amortisation (Note 30)	(71)	(9)	(9)	-	-	-	-	(1,364)	(24)	(1,473)	-	(1,473)
Profit/(loss) by segments	24,422	691	-	675	675	1,521	(2,661)	7,384	1,251	31,912	-	31,912
Zakat	-	-	-	-	-	-	-	(72)	-	(72)	-	(72)
Tax expenses attributable to participants	-	-	-	-	-	(970)	(2,034)	-	-	(3,004)	-	(3,004)
	24,422	691	-	675	675	551	(4,695)	7,312	1,251	28,836	-	28,836
Share of profit of associates	-	-	-	1,311	2,479	-	-	-	-	3,790	-	3,790
Profit/(loss) before taxation	24,422	691	1,311	3,154	3,154	551	(4,695)	7,312	1,251	32,626	-	32,626

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

39 SEGMENTAL INFORMATION (continued)

	Investment holdings	Education services			Takaful	Other segments	Group
			General takaful fund	Family takaful fund	Share holders' fund		
			Disconti- nued	Disconti- nued	Disconti- nued		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2016</u>							
Segment assets	485,532	1,564	-	-	-	5,344	492,440
Associates *	71,692	-	-	-	-	-	71,692
Total assets	557,224	1,564	-	-	-	5,344	564,132
<u>31 December 2015</u>							
Segment assets	267,169	1,805	483,239	482,982	136,705	11,083	1,382,983
Associates *	67,954	-	-	-	-	-	67,954
Total assets	335,123	1,805	483,239	482,982	136,705	11,083	1,450,937

* operating segments engaged in general insurance, retail mortgage lending and loan securitisation activities

Geographical segments

The Group operates mainly in Malaysia. In determining the geographical segments of the Group, revenues and non-current assets are based on the geographical location of assets.

	External revenue		Non-current assets	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Malaysia				
- Continuing operations	18,051	16,404	276,425	18,166
- Discontinued operations	279,379	549,397	-	-
	297,430	565,801	276,425	18,166
Indonesia	-	165	11,122	9,687
London	-	-	8,702	9,669
Others	8	92	-	-
	297,438	566,058	296,249	37,522

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

40 CAPITAL MANAGEMENT

The Group's capital management underlying objective is to manage capital and to allocate funds and capital efficiently for business growth taking into account the associated business risks to meet regulatory requirements, obligations to policyholders and the expectation of stakeholders.

The Company manages the capital of the Group to ensure that source of capital and the related costs meet the overall objectives of the capital plan. Excess capital generated from profits at the subsidiary level exceeding planned requirements is returned to the Company in the form of dividends under the Group's capital management plan.

The Group and the Company's capital comprised initial ordinary share capital and retained earnings. The Group and the Company do not have any borrowings as at 31 December 2016.

41 RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Group's risk governance structure and risk reporting requirement is incorporated in the Group's Enterprise Risk Management ("ERM") Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, monitoring, reporting and managing significant risks faced by the business units in the Group. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The Board through the Group Risk Management Committee is ultimately responsible for effective risk oversight and the framework within the Group. The Group Risk Management Committee determines the remit, roles, resources and structure for risk management functions to operate effectively and efficiently and is supported by the Group Audit and Risk Department. As for the operation in Philippines and Australia, the risk management function is supported by their own internal team who report directly to their respective Risk Management Committees, and indirectly to the Group Risk Management Committee.

The Group ERM Framework is premised with three lines of defence that serves as the guiding principles within the Group:

1. The first line of defense is the Business Units who are primarily responsible for identifying, evaluating and managing risks within their Units. The Head of Business Units are responsible to implement and execute appropriate risk mitigation action plan on a timely manner. The Business Units are responsible to ensure the execution of appropriate risk reduction action plans on a timely manner. Priority is accorded to mitigate high and significant risks in order to ensure that their day-to-day business activities are carried out within acceptable risk level.
2. The second line of defense is the Group Audit and Risk Department that provides independent oversight of the risk management activities of the first line of defense. The responsibilities of the second line functions typically include participating in risk management meetings, reviewing risk reports and validating compliance to the risk management framework requirements, with the objective of ensuring that risks are actively and appropriately managed.
3. The third line of defense is the internal auditors who report independently to the Audit Committee of the Board. The internal auditors review the first and second line of defense activities and results to ensure that the ERM arrangements and structures are appropriate and are discharging their roles and responsibilities completely and accurately.

The Group has also established management committees to act as a platform for two-way communication between the Management and the Board. The two management committees are Executive Committee and Business Committee. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposure and portfolio compositions and ensuring that infrastructure, resources and systems are put in place for effective risk management activities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

42 TAKAFUL RISK

The risk underlying any takaful contract is the likelihood of the insured event occurring and the uncertainty in the amount of the resulting claims. This risk is random and therefore unpredictable.

For a portfolio of takaful contracts, the principal risk that the Group faces is that claims and benefit payments exceed the amount of takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits will vary from year to year from the level established using statistical estimation techniques.

(I) Family takaful contracts

Family takaful contracts offered by the takaful subsidiary include health, group family, mortgage and investment-linked. The takaful subsidiary currently does not offer any takaful contracts with DPF.

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the takaful subsidiary's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which considered past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee of the takaful subsidiary on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing. As all of the business is derived from Malaysia, the entire Family takaful contract liabilities are in Malaysia.

The table below shows the concentration of Family takaful contract liabilities, excluding AFS reserve, by type of contract:

	31.12.2016			31.12.2015		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Endowment	-	-	-	401,095	(1,858)	399,237
Term	-	-	-	64,642	(10,541)	54,101
	-	-	-	465,737	(12,399)	453,338

There is no concentration of Family takaful contract liabilities as at 31 December 2016 as the takaful subsidiary engaged in Family takaful business has been disposed on 30 June 2016.

Sensitivities

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. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions. There is minimal impact on the Family takaful contract liabilities in relation to changes made to longevity, expenses and investment return assumptions.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

42 TAKAFUL RISK (continued)

(I) Family takaful contracts (continued)

Sensitivities (continued)

	Impact on Family takaful contract liabilities			
	Change in assumptions	Gross	Net	(Loss)/profit before taxation*
	%	RM'000	RM'000	RM'000
<u>31 December 2016</u>				
Mortality/morbidity	-	-	-	-
Lapse and surrender rates	-	-	-	-
Discount rate	-	-	-	-
<u>31 December 2015</u>				
Mortality/morbidity	+10	5,175	2,267	(2,267)
Lapse and surrender rates	+10	(74)	127	(127)
Discount rate	+1	(3,247)	(2,511)	2,511

*The profits are before surplus sharing or Qardhul Hassan repayment.

No analysis was performed for the impact on gross and net liabilities as at 31 December 2016 as the takaful subsidiary engaged in Family takaful business has been disposed on 30 June 2016.

(II) General takaful contracts

Risks under General takaful contracts usually cover twelve-month duration. The risks inherent in General takaful contracts are reflected in the takaful contract liabilities which include the contributions and claims liabilities, as set out under Note 16(a) to the financial statements. Contributions liabilities comprise of reserves for unexpired risks, while the claims liabilities comprise of loss reserves which include provision for both outstanding claims notified and outstanding claims incurred but not reported.

The takaful subsidiary manages its takaful risks for General takaful contracts by having a clearly defined framework as follow:

- Writing a balanced mix and spread of business, geographically, industry sectors and between classes of business;
- Underwriting strategies focused on profitable lines of business are clearly articulated to stakeholders;
- Underwriting authority limits for capacity are in place according to individual's capacity in the underwriting process;
- Mitigating takaful risks through purchase of both proportional and non-proportional retakaful treaties; and
- Regular monitoring of claim experience and comparing actual experience against that implied in pricing.

The concentration of the General takaful contracts in relation to claims liabilities by the type of takaful contracts accepted is as summarised below:

	31.12.2016			31.12.2015		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fire	-	-	-	36,088	(32,102)	3,986
Motor vehicle	-	-	-	127,351	(77,766)	49,585
Marine Cargo, Aviation Cargo and Transit	-	-	-	10,790	(10,125)	665
Miscellaneous	-	-	-	81,405	(60,321)	21,084
	-	-	-	255,634	(180,314)	75,320

There is no concentration of General takaful contract liabilities as at 31 December 2016 as the takaful subsidiary engaged in General takaful business has been disposed on 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

42 TAKAFUL RISK (continued)

(II) General takaful contracts (continued)

Sensitivities

The General takaful claims 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 profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

	Impact on General takaful contract liabilities				
	Change in assumptions	Gross	Net	Profit before taxation	Profit after taxation*
	%	RM'000	RM'000	RM'000	RM'000
<u>31 December 2016</u>					
Average open claims	-	-	-	-	-
Loss ratio	-	-	-	-	-
Provision for risk of adverse deviation	-	-	-	-	-
<u>31 December 2015</u>					
Average open claims	+10	25,563	7,532	(7,532)	(5,649)
Loss ratio	+10	30,527	10,690	(10,690)	(8,017)
Provision for risk of adverse deviation	+10	2,414	650	(650)	(487)

*The profits are before surplus sharing or Qardhul Hassan repayment.

No analysis was performed for the impact on gross and net liabilities as at 31 December 2016 as the takaful subsidiary engaged in General takaful business has been disposed on 30 June 2016.

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 statement of financial position date, together with cumulative payments to-date.

In setting provisions for claims, the takaful subsidiary 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

42 TAKAFUL RISK (continued)

(II) General takaful contracts (continued)

Claims Development Table (continued)

Gross General Takaful Contract Liabilities for 2015

	2008	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year	6,816	24,168	54,138	57,359	75,801	122,510	173,322	153,400	
One year later	4,592	20,220	58,202	55,296	73,172	113,516	150,108	-	
Two years later	3,714	16,567	52,314	52,335	71,157	108,045	-	-	
Three years later	3,214	13,865	49,989	49,023	72,160	-	-	-	
Four years later	3,249	13,352	49,702	49,894	-	-	-	-	
Five years later	3,203	13,360	49,515	-	-	-	-	-	
Six years later	3,179	12,977	-	-	-	-	-	-	
Seven years later	3,129	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	3,129	12,977	49,515	49,894	72,160	108,045	150,108	153,400	
At end of accident year	(1,100)	(4,021)	(10,114)	(12,429)	(18,204)	(33,270)	(40,158)	(43,447)	
One year later	(2,807)	(9,177)	(29,052)	(34,709)	(45,537)	(67,240)	(93,627)	-	
Two years later	(3,035)	(10,278)	(35,595)	(39,689)	(51,451)	(85,084)	-	-	
Three years later	(3,076)	(12,049)	(37,091)	(43,152)	(56,490)	-	-	-	
Four years later	(3,089)	(12,107)	(39,485)	(44,206)	-	-	-	-	
Five years later	(3,092)	(12,339)	(39,916)	-	-	-	-	-	
Six years later	(3,092)	(12,377)	-	-	-	-	-	-	
Seven years later	(3,091)	-	-	-	-	-	-	-	
Cumulative payments to-date	(3,091)	(12,377)	(39,916)	(44,206)	(56,490)	(85,084)	(93,627)	(43,447)	
Gross General takaful contract liabilities	38	600	9,599	5,688	15,670	22,961	56,481	109,953	220,990
Provision for risk of adverse deviation									23,008
Pipeline business									11,636
Gross General takaful contract liabilities									<u>255,634</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

42 TAKAFUL RISK (continued)

(II) General takaful contracts (continued)

Claims Development Table (continued)

Net General Takaful Contract Liabilities for 2015

	2008	2009	2010	2011	2012	2013	2014	2015	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident year									
At end of accident year	1,640	5,655	25,190	17,488	17,662	28,156	35,176	60,770	
One year later	1,642	6,165	24,835	15,510	17,635	25,865	35,319	-	
Two years later	1,370	5,340	23,500	14,818	16,905	26,826	-	-	
Three years later	1,198	5,206	22,573	14,495	16,821	-	-	-	
Four years later	1,230	5,040	22,407	14,467	-	-	-	-	
Five years later	1,213	4,989	22,233	-	-	-	-	-	
Six years later	1,202	4,775	-	-	-	-	-	-	
Seven years later	1,195	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	1,195	4,775	22,233	14,467	16,821	26,826	35,319	60,770	
At end of accident year	(339)	(1,548)	(5,284)	(4,927)	(5,573)	(9,537)	(10,443)	(19,313)	
One year later	(1,032)	(3,831)	(14,461)	(11,260)	(12,654)	(18,208)	(23,279)	-	
Two years later	(1,169)	(4,285)	(18,328)	(12,480)	(14,142)	(22,095)	-	-	
Three years later	(1,182)	(4,511)	(19,342)	(12,846)	(14,936)	-	-	-	
Four years later	(1,186)	(4,587)	(19,571)	(13,116)	-	-	-	-	
Five years later	(1,187)	(4,599)	(19,637)	-	-	-	-	-	
Six years later	(1,187)	(4,600)	-	-	-	-	-	-	
Seven years later	(1,187)	-	-	-	-	-	-	-	
Cumulative payments to-date	(1,187)	(4,600)	(19,637)	(13,116)	(14,936)	(22,095)	(23,279)	(19,313)	
Net General takaful contract liabilities	8	175	2,596	1,351	1,885	4,731	12,040	41,457	64,243
Provision for risk of adverse deviation									6,005
Pipeline business									5,072
Net General takaful contract liabilities									<u>75,320</u>

There is no estimate of estimate of cumulative incurred claims, including both claims notified and IBNR by accident year as at 31 December 2016 as the takaful subsidiary engaged in General takaful business has been disposed on 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK

The Group is exposed to a range of financial risks through its assets, financial liabilities and takaful liabilities. In particular, the key financial risk is that in the long term the operating profits and investment returns are not sufficient to fund the obligations arising from the takaful contracts. The most important components of the financial risk are credit risk, liquidity risk, market risk which comprise of currency risk, interest/profit rate risk and price risk.

The Group manages these positions within the risk management policies of the takaful subsidiary to achieve long term investment returns in excess its obligations under the takaful contracts. The key principles of the policies are to match assets to the liabilities by reference to the type of benefits payable to contract holders. For each distinct class of liabilities, a separate portfolio of assets is maintained and monitored. The Group has not changed the processes used to manage its risks from previous periods.

The Group's risk management policies are integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with takaful liabilities. The note below explains how financial risks are managed by the Group. In particular, the risk management policies require the management of interest/profit rate risk, equity price risk and liquidity risk at the portfolio level. Credit risk is managed on a group-wide basis. The following notes are in relation to the Group's management disclosure with respect to credit risk, liquidity risk, interest/profit rate risk, and price risk.

Credit Risk

The Group has exposure in credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk through (i) investments in cash and corporate and Islamic debt securities and (ii) receivables including takaful receivables and retakaful assets. For investments in corporate and Islamic debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. The retakaful share of unearned contribution reserves in relation to the General takaful fund and Qardhul Hassan are not financial instruments and hence are not exposed to credit risk.

Retakaful is used to manage takaful risk. This does not, however, discharge the Group's liability as primary takaful operator. If a participant retakaful operator fails to pay a claim for any reason, the Group remains liable for the payment to the participants. The creditworthiness of retakaful operators is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group issues investment-linked investment contracts. In the investment-linked business, the holders of these contracts bear the investment risks on the assets held in the investment-linked funds as the contract benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. The management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation. Allowance of doubtful debts/specific provision is made on those securities/loans (or part of remaining amount) where the level of security has been impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Risk Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

GROUP

	Shareholders' funds	Investment -linked fund	Total
	RM'000	RM'000	RM'000
<u>31 December 2016</u>			
Financial assets at FVTPL:			
Unit trust*	2,086	-	2,086
AFS financial assets:			
Equity securities*	36,779	-	36,779
Loans and receivables:			
Loans	7,159	-	7,159
Fixed and call deposits	133,381	-	133,381
Trade and other receivables	131,705	-	131,705
Cash and cash equivalents	157,074	-	157,074
	468,184	-	468,184

31 December 2015

Retakaful assets	192,713	-	192,713
Financial assets at FVTPL:			
Unit trust*	1,941	-	1,941
Syariah-approved equity securities*	853	79,543	80,396
Islamic debt securities	-	54,000	54,000
Investment-linked units*	2,730	215,788	218,518
AFS financial assets:			
Equity securities*	29,972	-	29,972
Islamic debt securities	114,738	-	114,738
HTM financial assets:			
Malaysian Government Guarantee Financing	40,632	-	40,632
Loans and receivables:			
Loans	6,957	-	6,957
Fixed and call deposits	40,228	-	40,228
Takaful receivables	81,041	-	81,041
Trade and other receivables	39,351	987	40,338
Cash and cash equivalents	340,587	16,658	357,245
	891,743	366,976	1,258,719

* Not subject to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Risk Exposure (continued)

COMPANY

	31.12.2016	31.12.2015
	RM'000	RM'000
AFS financial assets:		
Equity securities*	5,084	-
Loans and receivables:		
Loans	7	4
Fixed and call deposits	133,381	19,127
Trade and other receivables	131,477	39,383
Cash and cash equivalents	139,224	157,959
	409,173	216,473

* Not subject to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016
(continued)

43 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Risk Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties. AAA is the highest possible rating. Assets that all outside the range of AAA to BBB are classified as speculative grade.

GROUP

Neither past-due nor impaired									
AAA	AA	A	BBB	Not rated	Not subject to credit risk	Investment-linked fund	Past due but not impaired	Past due and impaired	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
-	-	-	-	-	2,086	-	-	-	2,086
-	-	-	-	-	36,779	-	-	-	36,779
-	-	-	-	7,159	-	-	-	20,905	28,064
133,381	-	-	-	-	-	-	-	-	133,381
-	87,950	-	-	43,755	-	-	-	30,038	161,743
61,029	96,003	-	-	42	-	-	-	-	157,074
-	-	-	-	-	-	-	-	(50,943)	(50,943)
194,410	183,953	-	-	50,956	38,865	-	-	-	468,184

31 December 2016

Financial assets at FVTPL:

Unit trust

AFS financial assets:

Equity securities

Loans and receivables:

Loans

Fixed and call deposits

Trade and other receivables

Cash and cash equivalents

Allowance for impairment loss

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Risk Exposure by Credit Rating (continued)

GROUP

	Neither past-due nor impaired										Total
	AAA	AA	A	BBB	Not rated	Not subject to credit risk	Investment-linked fund	Past due but not impaired	Past due and impaired		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2015											
Retakaful assets	-	54,755	76,832	18,576	42,550	-	-	-	-	-	192,713
Financial assets at FVTPL:											
Unit trust	-	-	-	-	-	1,941	-	-	-	-	1,941
Syariah-approved equity securities	-	-	-	-	-	853	79,543	-	-	-	80,396
Islamic debt securities	-	-	-	-	-	-	54,000	-	-	-	54,000
Investment-linked units	-	-	-	-	-	2,730	215,788	-	-	-	218,518
AFS financial assets:											
Equity securities	-	-	-	-	-	29,972	-	-	-	-	29,972
Islamic debt securities	34,889	74,852	-	-	4,997	-	-	-	-	-	114,738
HTM financial assets:											
Malaysian Government Guarantee Financing	-	-	-	-	40,632	-	-	-	-	-	40,632
Loans and receivables:											
Loans	-	-	-	-	6,957	-	-	-	24,464	-	31,421
Fixed and call deposits	22,072	13,119	5,037	-	-	-	-	-	-	-	40,228
Takaful receivables	488	3,281	5,524	291	45,849	-	-	25,608	8,693	-	89,734
Trade and other receivables	-	-	-	-	39,351	-	987	-	28,669	-	69,007
Cash and cash equivalents	186,357	145,618	8,523	-	89	-	16,658	-	-	-	357,245
Allowance for impairment loss	-	-	-	-	-	-	-	-	(61,826)	-	(61,826)
	243,806	291,625	95,916	18,867	180,425	35,496	366,976	25,608	-	-	1,258,719

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Credit Risk (continued)

Credit Risk Exposure by Credit Rating (continued)

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

COMPANY

	Neither past-due nor impaired			Not subject to credit risk	Total
	AAA to AA	A	Not rated		
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2016</u>					
AFS financial assets:					
Equity securities	-	-	-	5,084	5,084
Loan and receivables:					
Loans	-	-	7	-	7
Fixed and call deposits	133,381	-	-	-	133,381
Trade and other receivables	87,950	-	43,527	-	131,477
Cash and cash equivalents	139,221	-	3	-	139,224
	<u>360,552</u>	<u>-</u>	<u>43,537</u>	<u>5,084</u>	<u>409,173</u>
<u>31 December 2015</u>					
Loan and receivables:					
Loans	-	-	4	-	4
Fixed and call deposits	19,127	-	-	-	19,127
Trade and other receivables	-	-	39,383	-	39,383
Cash and cash equivalents	157,956	-	3	-	157,959
	<u>177,083</u>	<u>-</u>	<u>39,390</u>	<u>-</u>	<u>216,473</u>

Aged analysis of financial assets past due but not impaired

GROUP

	> 60 days	> 120 days	Total
	RM'000	RM'000	RM'000
<u>31 December 2016</u>			
Takaful receivables	-	-	-
<u>31 December 2015</u>			
Takaful receivables	23,559	2,049	25,608

There is no aged analysis of financial assets past due but not impaired as at 31 December 2016 as the takaful subsidiary has been disposed on 30 June 2016.

For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months for loans, and more than 90 days for takaful receivables. In addition, full impairment was made on outstanding debts exceeding twelve months, outstanding debts with terminated status, closed accounts, commuted, winding-up under legal action, accounts written off or those served with letters of demand. This applies similarly to retakaful assets, particularly retakaful recoverable on outstanding claims. Collateral are held as securities for certain past due or impaired assets. The Group records impairment allowance for takaful receivables and loans and receivables in separate allowance for impairment accounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations when due. This situation arises when the Group is unable to convert its financial assets into cash when needed. Demands for funds can usually be met through on going normal operations, contributions received, sale of assets or borrowings through committed credit facilities from bankers. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, unexpected high levels of policies lapses/surrenders, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and an adequate cushion in the form of cash and very liquid investments are maintained at all times. The projected cash flows from the in-force takaful contract liabilities consist of renewal contributions, commissions, claims, maturities and surrenders. Renewal contributions, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existing of surrender penalty in Family takaful contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

In addition, for General takaful contracts, the Group's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed a certain amount.

Maturity Profile

The table below summarises the maturity profile of the Group's financial assets and liabilities based on outstanding terms to maturity still remaining. All liabilities are presented on a contractual cash flow basis except for takaful contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised takaful liabilities.

The takaful contract liabilities below are gross of retakaful (no retakaful credit is taken into account). Investment-lined fund liabilities are repayable or transferrable upon notice by certificate holders and are disclosed separately under the "investment-linked fund" column. Repayments which are subject to notices are treated as if notices were to be given immediately. Products which have no maturity benefits such as term assurance and yearly renewable plans are excluded as they carry no maturity values.

AFS fair value adjustments, unearned contributions and the retakaful operators' share of unearned contributions have been excluded from the analysis as they are not contractual obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

31 December 2016

Financial assets at FVTPL:

Unit trust

AFS financial assets:

Equity securities

Loans and receivables:

Loans

Fixed and call deposits

Trade and other receivables

Cash and cash equivalents

Trade and other payables

Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2,086	-	-	-	-	-	2,086	-	2,086
36,779	-	-	-	-	-	36,779	-	36,779
7,159	7,157	2	-	-	-	-	-	7,159
133,381	135,094	-	-	-	-	-	-	135,094
131,705	43,755	87,950	-	-	-	-	-	131,705
157,074	157,416	-	-	-	-	-	-	157,416
468,184	343,422	87,952	-	-	-	38,865	-	470,239
12,116	9,612	2,504	-	-	-	-	-	12,116

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

GROUP

31 December 2015

Retakaful assets

Financial assets at FVTPL:

Unit trust

Syariah-approved equity securities

Islamic debt securities

Investment-linked units

AFS financial assets:

Equity securities

Islamic debt securities

HTM financial assets:

Malaysian Government Guarantee Financing

Loans and receivables:

Loans

Fixed and call deposits

Takaful receivables

Trade and other receivables

Cash and cash equivalents

Takaful contract liabilities

Takaful payables

Trade and other payables

Carrying value	Up to a year	1 - 3 years	3 - 5 years	5 - 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
192,713	127,523	49,428	6,443	2,798	6,521	-	-	192,713
1,941	-	-	-	-	-	1,941	-	1,941
80,396	-	-	-	-	-	853	79,543	80,396
54,000	-	-	-	-	-	-	54,000	54,000
218,518	-	-	-	-	-	2,730	215,788	218,518
29,972	-	-	-	-	-	29,972	-	29,972
114,738	-	14,691	23,305	80,537	47,566	-	-	166,099
40,632	-	-	-	45,918	19,295	-	-	65,213
6,957	6,939	18	-	-	-	-	-	6,957
40,228	41,009	-	-	-	-	-	-	41,009
81,041	81,041	-	-	-	-	-	-	81,041
40,338	39,351	-	-	-	-	-	987	40,338
357,245	341,548	-	-	-	-	-	16,658	358,206
1,258,719	637,411	64,137	29,748	129,253	73,382	35,496	366,976	1,336,403
723,342	590,351	69,790	7,826	5,874	33,458	16,043	-	723,342
88,321	88,321	-	-	-	-	-	-	88,321
71,079	67,164	3,915	-	-	-	-	-	71,079
882,742	745,836	73,705	7,826	5,874	33,458	16,043	-	882,742

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Liquidity Risk (continued)

Maturity Profile (continued)

COMPANY

	Carrying Value	Up to a year	Over 3 Years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2016</u>					
AFS financial assets:					
Equity securities	5,084	-	-	5,084	5,084
Loans and receivables:					
Loans	7	5	2	-	7
Fixed and call deposits	133,381	135,094	-	-	135,094
Trade and other receivables	131,477	43,527	87,950	-	131,477
Cash and cash equivalents	139,224	139,524	-	-	139,524
	409,173	318,150	87,952	5,084	411,186
Trade and other payables	4,615	3,578	1,037	-	4,615
<u>31 December 2015</u>					
Loans and receivables:					
Loans	4	2	2	-	4
Fixed and call deposits	19,127	19,380	-	-	19,380
Trade and other receivables	39,383	39,383	-	-	39,383
Cash and cash equivalents	157,959	158,280	-	-	158,280
	216,473	217,045	2	-	217,047
Trade and other payables	2,555	2,555	-	-	2,555

Market Risk

Market risk is the risk of loss in the valuation of the Group's investments due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three (3) types of risk i.e. currency risk, market interest/profit rate risk and price risk.

The Group manages market risks through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

The Group also issues investment-linked investment policies in a number of its products. In the investment-linked business, the holders of these contracts bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the values of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the values of the assets in the funds.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has overseas associates that operate in Philippines and Australia whose revenue and expenses are denominated in United States Dollar, Philippines Peso and Australian Dollar respectively. In order to protect the Group's exposure to the exchange rate movements of the foreign currencies against Ringgit Malaysia, the Group finances its net investments in the foreign subsidiary and associates by means of composition of Ringgit Malaysia and United States Dollar denominated funds based on assessment of the exchange rate exposure.

The Group's exposure to transactional foreign exchange risk is monitored on an ongoing basis. The Group does not hedge its foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Market Risk (continued)

Currency Risk (continued)

The Group's financial assets are also primarily denominated in the same currency as its takaful contract liabilities as required under the applicable regulatory requirements. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which takaful contract liabilities are expected to be settled.

The Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk.

Interest/Profit Rate Risk

Interest/profit rate risk is part of market risk as any adverse movements in interest/profit rates may affect the Group's investment fair valuation and reinvestment issues. The Group's Investment Committees of the takaful subsidiary actively monitor such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch given the long duration of policy liabilities and the uncertainty of cash flows, it is not possible to hold assets that will perfectly match the policy liabilities.

The Group has no significant concentration of interest/profit rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Equity (that reflects adjustments to Profit before Tax and re-valuing fixed rate/yield AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest/profit rate risk but to demonstrate the impact due to changes in variables, variables had to be changed in an individual basis. It should be noted that movements in these variables are non-linear.

	Impact on profit before taxation		Impact on equity*	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
GROUP				
<u>Interest/Profit Rate</u>				
+ 100 basis points	2,873	3,606	2,155	1,879
- 100 basis points	(2,873)	(3,606)	(2,155)	(1,783)
COMPANY				
<u>Interest/Profit Rate</u>				
+ 100 basis points	2,721	-	2,041	-
- 100 basis points	(2,721)	-	(2,041)	-

* Impact on equity reflects adjustments for tax, when applicable.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

43 FINANCIAL RISK (continued)

Market Risk (continued)

Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest/profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The equity investment portfolio of the Group is exposed to movements in equity markets. The Group monitors its equity price risk through regular stress testing. In addition, the Group monitors and manages the equity exposure against policies set and agreed by the Investment Committees of the takaful subsidiary. These policies include monitoring the equity exposure against benchmark set, single security exposure of the portfolio against the limits set and using duration and convexity measurements.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and Equity (that reflects adjustments to Profit before Tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price 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.

	Impact on profit before taxation		Impact on equity*	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
GROUP				
<u>Change in variables</u>				
<u>FTSE Bursa Malaysia</u>				
- FBM KLCI +15% - gain	313	1,057	235	793
- FBM KLCI -15% - loss	(313)	(1,057)	(235)	(793)
<u>Change in variables</u>				
<u>ASX Australian Securities Exchange</u>				
- S&P/ASX 200 +15% - gain	763	-	534	-
- S&P/ASX 200 -15% - loss	(763)	-	(534)	-

COMPANY

Change in variables

ASX Australian Securities Exchange

- S&P/ASX 200 +15% - gain	763	-	534	-
- S&P/ASX 200 -15% - loss	(763)	-	(534)	-

*Impact on equity reflects adjustments for tax, when applicable.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

44 OPERATIONAL RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Group has developed comprehensive operating policies and procedures manuals to enable all business units will implement, measure, monitor and control the risks in order to avoid or reduce losses. Furthermore, the Group's Risk Management and Internal Audit Department facilitates business units to review and ensure the current procedures adhere to all rules and regulations.

45 COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non conformance with business principles, internal policies and procedures, related laws, rules and regulations governing the Group's products and activities.

Consequently, the exposure to this risk can damage the Group's reputation, lead to legal or regulatory sanctions and/or financial loss.

The Group has established a Compliance Framework to ensure that the companies within the Group are in compliance with all laws and regulatory requirements. The Audit Committee and the Board have oversight of the Group's compliance matters through the Compliance Framework implemented by the Group's Compliance Department. In addition, the core regulated subsidiaries in the Group have their respective dedicated compliance and/or governance terms to manage the compliance functions to ensure its process and internal policies and procedures comply with the applicable laws and guidelines issued by the regulatory authorities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS

Statement of Financial Position by Funds As at 31 December 2016

	Shareholders' fund	Total
	RM'000	RM'000
Assets		
Property, plant and equipment	3,686	3,686
Investment properties	19,824	19,824
Intangible assets	494	494
Associates	71,692	71,692
Tax recoverable	252	252
Investments	179,405	179,405
Financial assets at FVTPL	2,086	2,086
AFS financial assets	36,779	36,779
Loans and receivables	140,540	140,540
Trade and other receivables	131,705	131,705
Cash and cash equivalents	157,074	157,074
Total assets	564,132	564,132
Equity and liabilities		
Liabilities		
Deferred tax liabilities	185	185
Trade and other payables	12,116	12,116
Total liabilities	12,301	12,301
Equity		
Share capital	273,518	273,518
Treasury shares	-	-
Retained earnings	240,164	240,164
Reserves	38,149	38,149
Total equity attributable to the owners of the Company	551,831	551,831
Non-controlling interests	-	-
Total equity	551,831	551,831
Total equity and liabilities	564,132	564,132
Inter-fund balances	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS (continued)

Statement of Financial Position by Funds As at 31 December 2015

	Shareholders' fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Property, plant and equipment	14,575	-	-	14,575
Investment properties	19,356	-	-	19,356
Intangible assets	3,571	-	-	3,571
Associates	67,954	-	-	67,954
Deferred tax assets	-	2,334	-	2,334
Tax recoverable	331	-	9	340
Retakaful assets	-	258,009	12,399	270,408
Investments	84,728	86,310	416,344	587,382
Financial assets at FVTPL	5,524	-	349,331	354,855
AFS financial assets	40,428	62,662	41,620	144,710
HTM financial assets	-	15,245	25,387	40,632
Loans and receivables	38,776	8,403	6	47,185
Takaful receivables	-	76,775	4,266	81,041
Trade and other receivables	36,152	3,101	1,085	40,338
Cash and cash equivalents	251,656	56,710	48,879	357,245
Assets classified as held for sale	6,393	-	-	6,393
Total assets	484,716	483,239	482,982	1,450,937
Equity, policyholders' funds and liabilities				
Liabilities				
Takaful contract liabilities	-	380,799	465,993	846,792
Deferred tax liabilities	900	-	389	1,289
Takaful payables	-	83,345	4,976	88,321
Trade and other payables	43,766	15,800	11,513	71,079
Current tax liabilities	4,118	-	216	4,334
Liabilities associated with assets classified as held for sale	1,281	-	-	1,281
Total liabilities	50,065	479,944	483,087	1,013,096
Equity				
Share capital	292,693	-	-	292,693
Treasury shares	(444)	-	-	(444)
Retained earnings	128,686	-	(16,043)	112,643
Reserves	5,160	-	-	5,160
Total equity attributable to the owners of the Company	426,095	-	(16,043)	410,052
Non-controlling interests	27,789	-	-	27,789
Total equity	453,884	-	(16,043)	437,841
Total equity, policyholders' funds and liabilities	503,949	479,944	467,044	1,450,937
Inter-fund balances	(19,233)	3,295	15,938	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS (continued)

Statement of Profit or Loss by Funds For the financial year ended 31 December 2016

Continuing operations

	Shareholders' fund	Total
	RM'000	RM'000
Gross earned premiums	-	-
Premiums ceded to reinsurers	-	-
Net earned premiums	-	-
Investment income	11,199	11,199
Realised gains and losses – net	225	225
Fair value gains and losses – net	2,090	2,090
Other operating revenue from non-insurance businesses	6,860	6,860
Other operating expenses – net	(7,227)	(7,227)
Other revenue	13,147	13,147
Total revenue	13,147	13,147
Gross benefits and claims paid	-	-
Claims ceded to reinsurers	-	-
Gross change to contract liabilities	-	-
Change in contract liabilities ceded to reinsurers	-	-
Net insurance benefits and claims	-	-
Management expenses	(37,191)	(37,191)
Other expenses	(37,191)	(37,191)
Share of profit of associates, net of tax	4,728	4,728
Loss before taxation	(19,316)	(19,316)
Taxation	(66)	(66)
Loss for the financial year	(19,382)	(19,382)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS (continued)

Statement of Profit or Loss by Funds For the financial year ended 31 December 2015

Continuing operations

	Shareholders' funds	General fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	-	1	1
Premiums ceded to reinsurers	-	-	-
Net earned premiums	-	1	1
Investment income	9,431	164	9,595
Realised gains and losses – net	(3,760)	-	(3,760)
Fair value gains and losses – net	1,701	-	1,701
Other operating revenue from non-insurance businesses	7,065	-	7,065
Other operating income – net	55,366	259	55,625
Other revenue	69,803	423	70,226
Total revenue	69,803	424	70,227
Gross benefits and claims paid	-	(6,463)	(6,463)
Claims ceded to reinsurers	-	3,010	3,010
Gross change to contract liabilities	-	11,954	11,954
Change in contract liabilities ceded to reinsurers	-	(6,497)	(6,497)
Net insurance benefits and claims	-	2,004	2,004
Management expenses	(43,439)	(1,753)	(45,192)
Other expenses	(43,439)	(1,753)	(45,192)
Share of profit of associates, net of tax	3,790	-	3,790
Profit before taxation	30,154	675	30,829
Taxation	(110)	-	(110)
Profit for the financial year	30,044	675	30,719

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS (continued)

Statement of Profit or Loss by Funds For the financial year ended 31 December 2016

Discontinued operations

	Share- holders' fund	General takaful fund	Family takaful fund	Interfund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contributions	-	145,031	124,399	-	269,430
Contributions ceded to retakaful operators	-	(92,828)	(7,337)	-	(100,165)
Net earned contributions	-	52,203	117,062	-	169,265
Investment income	1,852	3,249	4,744	-	9,845
Realised gains and losses – net	281,105	43	1,737	-	282,885
Fair value gains and losses – net	70	-	(16,855)	-	(16,785)
Fee and commission income	-	19,730	-	-	19,730
Other operating revenue from non-insurance businesses	104	-	-	-	104
Other operating (expenses)/income – net	(1,558)	7,602	640	-	6,684
Surplus sharing from General takaful	2,017	-	-	(2,017)	-
Surplus sharing from Family takaful	5,740	-	-	(5,740)	-
Wakalah fee from takaful business	84,251	-	-	(84,251)	-
Other revenue	373,581	30,624	(9,734)	(92,008)	302,463
Total revenue	373,581	82,827	107,328	(92,008)	471,728
Gross benefits and claims paid	-	(67,644)	(74,112)	-	(141,756)
Claims ceded to retakaful operators	-	40,995	5,865	-	46,860
Gross change to contract liabilities	-	(21,028)	9,816	-	(11,212)
Change in contract liabilities ceded to retakaful operators	-	10,937	2,171	-	13,108
Net takaful benefits and claims	-	(36,740)	(56,260)	-	(93,000)
Fee and commission expenses	(46,143)	-	-	-	(46,143)
Management expenses	(44,805)	800	-	-	(44,005)
Expense liabilities	(330)	-	-	-	(330)
Surplus sharing with Shareholders' fund	-	(2,017)	(5,740)	7,757	-
Wakalah fees payable to Shareholders' fund	-	(42,717)	(41,534)	84,251	-
Other expenses	(91,278)	(43,934)	(47,274)	92,008	(90,478)
Profit before zakat	282,303	2,153	3,794	-	288,250
Zakat	-	-	-	-	-
Profit after Zakat	282,303	2,153	3,794	-	288,250
Tax (expenses)/income attributable to participants	-	(2,153)	773	-	(1,380)
Profit before taxation	282,303	-	4,567	-	286,870
Taxation	(3,729)	(2,153)	773	-	(5,109)
Tax expenses/(income) attributable to participants	-	2,153	(773)	-	1,380
Tax expenses attributable to Shareholders' fund	(3,729)	-	-	-	(3,729)
Profit for the financial year	278,574	-	4,567	-	283,141

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS (continued)

Statement of Profit or Loss by Funds For the financial year ended 31 December 2015

Discontinued operations

	Share- holders' fund	General takaful fund	Family takaful fund	Interfund elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contributions	-	277,616	250,736	-	528,352
Contributions ceded to retakaful operators	-	(179,942)	(14,053)	-	(193,995)
Net earned contributions	-	97,674	236,683	-	334,357
Investment income	4,014	5,522	11,240	-	20,776
Realised gains and losses – net	(723)	(188)	5,331	-	4,420
Fair value gains and losses – net	1,476	-	12,144	-	13,620
Fee and commission income	-	41,876	-	-	41,876
Other operating revenue from non-insurance businesses	269	-	-	-	269
Other operating income/(expenses) – net	1,593	(1,938)	(1,058)	-	(1,403)
Surplus sharing from General takaful	1,518	-	-	(1,518)	-
Surplus sharing from Family takaful	11,250	-	-	(11,250)	-
Wakalah fee from takaful business	166,693	-	-	(166,693)	-
Other revenue	186,090	45,272	27,657	(179,461)	79,558
Total revenue	186,090	142,946	264,340	(179,461)	413,915
Gross benefits and claims paid	-	(122,839)	(161,027)	-	(283,866)
Claims ceded to retakaful operators	-	84,155	11,307	-	95,462
Gross change to contract liabilities	-	(10,111)	(15,269)	-	(25,380)
Change in contract liabilities ceded to retakaful operators	-	(20,399)	(925)	-	(21,324)
Net takaful benefits and claims	-	(69,194)	(165,914)	-	(235,108)
Fee and commission expenses	(97,315)	-	-	-	(97,315)
Management expenses	(82,385)	4,643	1,500	-	(76,242)
Expense liabilities	(377)	-	-	-	(377)
Surplus sharing with Shareholders' fund	-	(1,518)	(11,250)	12,768	-
Wakalah fees payable to Shareholders' fund	-	(75,356)	(91,337)	166,693	-
Other expenses	(180,077)	(72,231)	(101,087)	179,461	(173,934)
Profit/(loss) before zakat	6,013	1,521	(2,661)	-	4,873
Zakat	(72)	-	-	-	(72)
Profit/(loss) after Zakat	5,941	1,521	(2,661)	-	4,801
Tax expenses attributable to participants	-	(970)	(2,034)	-	(3,004)
Profit/(loss) before taxation	5,941	551	(4,695)	-	1,797
Taxation	(9,425)	(970)	(2,034)	-	(12,429)
Tax expenses attributable to participants	-	970	2,034	-	3,004
Tax expenses attributable to Shareholders' fund	(9,425)	-	-	-	(9,425)
(Loss)/profit for the financial year	(3,484)	551	(4,695)	-	(7,628)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

46 INSURANCE FUNDS (continued)

Statement of cash flows by Funds

	Share- holders' fund	General fund	Life fund	General takaful fund	Family takaful fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>31 December 2016</u>						
Cash flows from:						
Operating activities	135,527	-	-	(56,710)	(48,879)	29,938
Investing activities	(103,873)	-	-	-	-	(103,873)
Financing activities	(135,342)	-	-	-	-	(135,342)
Net decrease in cash and cash equivalents	(103,688)	-	-	(56,710)	(48,879)	(209,277)
Currency translation differences	9,106	-	-	-	-	9,106
Cash and cash equivalents at beginning of financial year	251,656	-	-	56,710	48,879	357,245
Cash and cash equivalents at end of financial year	157,074	-	-	-	-	157,074
<u>31 December 2015</u>						
Cash flows from:						
Operating activities	97,975	(827)	(420)	15,523	(30,300)	81,951
Investing activities	(16,102)	-	-	(6,935)	-	(23,037)
Financing activities	(24,964)	-	-	-	-	(24,964)
Net increase/(decrease) in cash and cash equivalents	56,909	(827)	(420)	8,588	(30,300)	33,950
Currency translation differences	(18,973)	-	-	-	-	(18,973)
Cash and cash equivalents at beginning of financial year	213,720	827	420	48,122	79,179	342,268
Cash and cash equivalents at end of financial year	251,656	-	-	56,710	48,879	357,245

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END

- (a) On 30 September 2011, the Company became an affected listed issuer pursuant to Practice Note 17 (“PN17”) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) whereby a listed issuer has suspended or ceased its major business, i.e. in this case the disposal of Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad).

Nonetheless, the Company did not trigger any of the other prescribed criteria under PN17 of MMLR, such as consolidated shareholders’ equity of 25% or less of the issued and paid up share capital, a default in payment by the Group, the auditors having expressed an adverse or disclaimer opinion on the Company’s latest audited accounts, etc.

Pursuant to Paragraph 8.04(3) of the MMLR, the Company is required to regularise its condition by undertaking a regularisation plan. The regularisation plan was required to be submitted to Bursa Securities on 30 September 2012, and was subsequently extended until 30 June 2017 via Bursa Securities’ letters dated 16 February 2017, 21 July 2016, 18 February 2016, 4 August 2015, 23 March 2015, 21 October 2014, 11 March 2014, 1 August 2013 and 20 December 2012.

The extension of time of up to 30 June 2017 for the Company to submit a regularisation plan is without prejudice to Bursa Securities’ right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

- (i) The Company fails to submit a regularisation plan to the regulatory authorities on or before 30 June 2017;
- (ii) The Company fails to obtain approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; and
- (iii) The Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company’s right to appeal against the delisting.

- (b) On 30 November 2015, the Company announced that it had jointly with Solidarity Group Holding BSC (Closed) (“Solidarity”) and Zurich Insurance Company Ltd (“Zurich”) submitted an application to Bank Negara Malaysia (“BNM”) to seek approval of the Minister of Finance Malaysia pursuant to the Islamic Financial Services Act, 2013 to enter into an agreement with Zurich for the proposed disposal of 100% equity interest held in MAA Takaful Berhad (“MAA Takaful”) (“Proposed Disposal”).

On 27 April 2016, the Company announced that it had, via BNM’s letter dated 27 April 2016, obtained the approval of Minister of Finance Malaysia for the Proposed Disposal pursuant to Section 101 of the Islamic Financial Services Act, 2013.

The Company together with Solidarity (collectively, the “Vendors”) had on 4 May 2016 entered into a conditional share purchase agreement (“SPA”) with Zurich (the “Purchaser”) for the Proposed Disposal for a total cash consideration of RM525.00 million. In accordance with the terms and conditions of the SPA and subject to certain adjustments under which, inter-alia, the Company shall dispose 75,000,000 ordinary shares of RM1.00 each in MAA Takaful (representing 75% equity interest) for a cash consideration of RM393.75 million (“Disposal Consideration”). Upon the completion of the Proposed Disposal, MAA Takaful will cease to be a 75% owned subsidiary of the Company.

Subsequent to the completion of Proposed Disposal, the Board of Directors of the Company (“Board”) declared an interim special dividend of RM0.35 for each ordinary share of RM1.00 (“Special Dividend”) in the Company held by the shareholders of the Company whose name appear in the record of depositors of Bursa Malaysia Depository Sdn Bhd on an entitlement date to be determined and announced later by the Board. The total amount under the Special Dividend shall be payable out of the Disposal Consideration. The Special Dividend was conditional upon the completion of the Proposed Disposal.

On 28 June 2016, the Company announced that the Proposed Disposal was approved by the Shareholders at the Extraordinary General meeting which was held on the same day.

On 30 June 2016, the Company announced that the Proposed Disposal was completed on the same day.

On 4 July 2016, the Company announced that the Special Dividend was paid on 5 August 2016.

On 27 December 2016, the Company announced there was a downward adjustment of RM29.4 million (“Price Adjustment”) to the Company’s initial consideration of RM300 million pursuant to the income statement and statement of financial position of MAA Takaful for the period from 1 January 2015 to the completion date on 30 June 2016, which were prepared in accordance with the terms of the SPA and agreed by all parties on 14 December 2016. The Company paid the Price Adjustment on 27 December 2016 to the Purchaser.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE FINANCIAL YEAR END (continued)

- (c) On 8 September 2015, MAA Corporation Sdn Bhd ("MAA Corp"), a wholly owned subsidiary of the Company and ePROTEA MSC Sdn Bhd (now known as Finexus Sdn Bhd) ("the Purchaser") entered into a conditional Share Sale Agreement ("SSA") for the disposal of the entire issued share capital of MAA Cards Sdn Bhd ("MAA Cards") ("Sale Shares"). The completion of the SSA is inter alia, conditional upon the parties' obtaining all necessary consents, approvals or clearance from the regulatory authorities for the acquisition of the Sale Shares by the Purchaser. The total consideration for the Sale Shares shall be the aggregate of RM1,000,000 and the amount equivalent to the final net current asset of MAA Cards on completion date.

On 21 March 2016, the Company announced that BNM had via its letter dated 18 March 2016 granted its approval for the disposal of MAA Cards. The Group completed the disposal of MAA Cards on 31 March 2016.

- (d) On 6 December 2016, the Company announced that MAA International Assurance Ltd ("MAAIA"), a wholly owned subsidiary of MAA Corp, had on the same day remitted a sum of PHP 300 million to subscribe for additional 300,000 new shares with par value PHP1,000.00 per share ("Proposed Subscription") of MAA General Assurance Philippines, Inc ("MAAGAP"), a licensed general insurance company operating in the Republic of the Philippines.

The Proposed Subscription is subject to the approval of regulatory authority in the Philippines. Upon completion of the Proposed Subscription, MAAIA's equity interest in MAAGAP will increase from present 40% to 70% thereby making MAAGAP a subsidiary of the Group.

- (e) On 5 January 2017, the Company announced that Labuan Financial Services Authority ("LFSA") had vide its letter dated 3 January 2017 granted approval to MAAIA to surrender the Labuan composite insurance license effective 31 January 2017.

MAAIA had applied to LFSA to surrender its Labuan composite insurance license premised that since the second half of 2014 it had ceased all the previous offshore reinsurance and investment-linked businesses and also taking into consideration the high compliance cost. Presently the principal activity of MAAIA is investment holding and it does not have plan to re-active its insurance business.

- (f) On 11 April 2017, the Company announced that it has on the same day entered into the following agreements for the Acquisition of Properties:

- (i) supplemental sale and purchase agreement with PIMA Pembangunan Sdn Bhd ("PIMA") to complete the purchase of 783 car parking bays situated at a commercial development known as Prima Klang Avenue ("Development") for a purchase price of RM3.5 million;
- (ii) sale and purchase agreement with PIMA to purchase 38 office suits and retail units in Block B of the Development for a purchase price of RM23.0 million;
- (iii) sale and purchase agreement with PIMA to purchase the land, together with the platform built thereon, comprised in Block C of the Development for a purchase price of RM11.0 million, and
- (iv) settlement agreement with PIMA wherein the purchase considerations for the Properties will settle the amount owing by PIMA to the Company under the joint venture agreement entered into in 2013 with the balance purchase considerations totalling RM6.0 million payable to PIMA upon delivery of vacant possession of the Properties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

48 RECLASSIFICATION OF COMPARATIVES

The following table discloses certain comparatives which were reclassified to conform to the current financial year's presentation of financial statements in respect of discontinued operations of MAA Takaful during the financial year.

Statement of Profit or Loss For the financial year ended 31 December 2015

	As previously reported	Reclassification	Restated
	RM'000	RM'000	RM'000
<u>CONTINUING OPERATIONS</u>			
Gross earned premiums/contributions	528,353	(528,352)	1
Net earned premiums/contributions	334,358	(334,357)	1
Investment income	30,223	(20,628)	9,595
Realised gains and losses – net	660	(4,420)	(3,760)
Fair value gains and losses – net	15,321	(13,620)	1,701
Fee and commission income	41,876	(41,876)	-
Other operating income – net	54,222	1,403	55,625
Gross benefits and claims paid	(290,329)	283,866	(6,463)
Claims ceded to reinsurers/retakaful operators	98,472	(95,462)	3,010
Gross change to contract liabilities	(13,426)	25,380	11,954
Change in contract liabilities ceded to reinsurers/retakaful operators	(27,821)	21,324	(6,497)
Net insurance/takaful benefits and claims	(233,104)	235,108	2,004
Fee and commission expenses	(97,315)	97,315	-
Management expenses	(119,646)	74,454	(45,192)
Expenses liabilities	(377)	377	-
Profit before zakat	37,073	(6,244)	30,829
Zakat	(72)	72	-
Profit after zakat before taxation	37,001	(6,172)	30,829
Tax expenses attributable to participants	(3,004)	3,004	-
Profit before taxation	33,997	(3,168)	30,829
Taxation	(9,535)	9,425	(110)
Profit for the financial year from continuing operations	24,462	6,257	30,719

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

48 RECLASSIFICATION OF COMPARATIVES (continued)

Statement of Profit or Loss For the financial year ended 31 December 2015 (continued)

	As previously reported	Reclassification	Restated
	RM'000	RM'000	RM'000
<u>DISCONTINUED OPERATIONS</u>			
Gross earned contributions	-	528,352	528,352
Net earned contributions	-	334,357	334,357
Investment income	148	20,628	20,776
Realised gains and losses – net	-	4,420	4,420
Fair value gains and losses – net	-	13,620	13,620
Fee and commission income	-	41,876	41,876
Other operating expenses – net	-	(1,403)	(1,403)
Gross benefits and claims paid	-	(283,866)	(283,866)
Claims ceded to retakaful operators	-	95,462	95,462
Gross change to contract liabilities	-	(25,380)	(25,380)
Change in contract liabilities ceded to retakaful operators	-	(21,324)	(21,324)
Net takaful benefits and claims	-	(235,108)	(235,108)
Fee and commission expenses	-	(97,315)	(97,315)
Management expenses	(1,788)	(74,454)	(76,242)
Expenses liabilities	-	(377)	(377)
(Loss)/profit before zakat	(1,371)	6,244	4,873
Zakat	-	(72)	(72)
(Loss)/profit after zakat before taxation	(1,371)	6,172	4,801
Tax expenses attributable to participants	-	(3,004)	(3,004)
(Loss)/profit before taxation	(1,371)	3,168	1,797
Taxation	-	(9,425)	(9,425)
Loss for the financial year from discontinued operations	(1,371)	(6,257)	(7,628)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

(continued)

49 DISCLOSURE OF REALISED AND UNREALISED PROFITS

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Securities.

	GROUP		COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Total retained earnings:				
Realised	211,670	91,845	152,436	12,191
Unrealised	11,039	14,845	(185)	(107)
	222,709	106,690	152,251	12,084
Total share of accumulated profits/(losses) from associates:				
- Realised	9,475	(56)	-	-
- Unrealised	(875)	3,928	-	-
	8,600	3,872	-	-
	231,309	110,562	152,251	12,084
Less: Consolidation adjustments	8,855	2,081	-	-
Total retained earnings	240,164	112,643	152,251	12,084

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by Bursa Securities and should not be used for any other purpose.

LIST OF SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held	% of Shares (N1)
Tunku Dato' Yaacob Khyra ("TY") <i>Indirect Interest</i>	105,777,084	38.67 [#]
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TY") <i>Indirect Interest</i>	105,777,084	38.67 [*]
Khyra Legacy Berhad ("Khyra") <i>Indirect Interest</i>	105,777,084	38.67 [#]
Melewar Equities Sdn Bhd ("MESB") <i>Direct Interest</i>	38,513,030	14.08 [#]
Melewar Khyra Sdn Bhd ("MKSB") <i>Direct Interest</i>	40,326,110	14.74 [#]
Melewar Equities (BVI) Ltd ("MEBVI") <i>Direct Interest</i>	26,937,944	9.85 [#]

DIRECTORS' SHAREHOLDINGS

Name	No. of Shares Held			
	Direct	% (N1)	Indirect	% (N1)
TY	-	-	105,777,084	38.67 [#]
TY	-	-	105,777,084	38.67 [*]
Tan Sri Ahmad bin Mohd Don	2,055,000	0.75	-	-
Tan Sri Datuk Seri Razman Md Hashim	150,000	0.05	-	-
Yeo Took Keat	80,000	0.03	-	-

Notes:

N1 The percentages of substantial shareholders and Directors' shareholdings are calculated by dividing the shares held by the respective substantial shareholders and Directors with the issued capital.

Deemed interested by virtue of TY being the founder and ultimate beneficial owner of Khyra, being the holding company of MKSB, MESB and MEBVI who are the major/substantial shareholders of the Company.

* Deemed interested by virtue of his family relationship with TY who is the founder and ultimate beneficial owner of Khyra, being the holding company of MKSB, MESB and MEBVI who are the major/substantial shareholders of the Company.

STATISTICS OF SHAREHOLDINGS AS AT 31 MARCH 2017

Share Capital	RM273,517,752
Class of Shares	Ordinary Shares
Total Number of Issued Shares	273,517,752
Number of Shareholders	5,959

No. Of Size Of Holdings	No. Of Holders	% Of Holders	No. Of Shares	% Of Shares
1 - 99	347	5.82	10,188	0.01
100 - 1000	852	14.30	606,317	0.22
1001 - 10000	3,196	53.63	15,841,781	5.79
10001 - 100000	1,357	22.77	43,186,065	15.79
100001 and below 5% of issued shares	204	3.43	108,096,317	39.52
5% and above of issued shares	3	0.05	105,777,084	38.67
TOTAL	5,959	100.00	273,517,752	100.00

List of Top Thirty Shareholders

No.	Name	No. Of Shares Held	% Of Share (N1)
1	MELEWAR KHYRA SDN BHD	40,326,110	14.74
2	MELEWAR EQUITIES SDN BHD	38,513,030	14.08
3	MELEWAR EQUITIES (BVI) LTD	26,937,944	9.85
4	UOB KAY HIAN NOMINEES (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	10,523,663	3.85
5	CIMB GROUP NOMINEES (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR DBS BANK LTD (SFS)	5,727,100	2.09
6	NG LONG TIANG	3,000,000	1.10
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : FUA KIA PHA	2,923,100	1.07
8	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD BENEFICIARY : MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	2,423,400	0.89
9	SIVA KUMAR A/L M JEYAPALAN	2,350,000	0.86
10	HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	2,305,000	0.84
11	LEE KEK MING	2,133,400	0.78
12	AHMAD BIN MOHD DON	2,055,000	0.75

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

(continued)

List of Top Thirty Shareholders (continued)

No.	Name	No. Of Shares Held	% Of Share (N1)
13	CITIGROUP NOMINEES (ASING) SDN BHD BENEFICIARY : PERSHING LLC FOR CAMAC FUND, LP	1,984,200	0.73
14	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	1,955,300	0.71
15	MICHEAL OOI CHUNG GHEE	1,919,900	0.70
16	LOH KAH WAI	1,870,000	0.68
17	LOH KAH WAI	1,815,000	0.66
18	HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : SIX SIS FOR LIECHTENSTEINISCHE LANDESBANK AKTIENGESELLSCHAFT	1,808,400	0.66
19	ARTHUR VARKEY SAMUEL	1,600,000	0.59
20	CARTABAN NOMINEES (ASING) SDN BHD BENEFICIARY : DBS VICKERS (HONG KONG) LIMITED FOR SHUN HING CAPITAL (ASIA) LIMITED	1,479,700	0.54
21	HLB NOMINEES (ASING) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LOH KAH WAI	1,415,000	0.52
22	NIRMALA NAVINCHANDRA SHAH	1,292,000	0.47
23	AMSEC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	1,170,600	0.43
24	GOH TECK YIEW	1,147,200	0.42
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	1,099,200	0.40
26	CHUAH SZE MING	1,080,000	0.40
27	BALVINDER SINGH A/L BHAGWAN SINGH	1,075,900	0.39
28	PANG SIEW KEOW	1,071,500	0.39
29	LO YAN MEE	1,068,700	0.39
30	AFFIN HWANG NOMINEES (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)	1,053,960	0.39
TOTAL		165,124,307	60.37

Note:

(N1) The percentages of thirty largest shareholders are calculated by dividing the shares held by the respective shareholders with the issued capital.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

NOTICE
There will be no
distribution
of door gifts

FORM OF PROXY

(please refer to the notes below)



MAA GROUP BERHAD

(Co. Reg. No. 471403-A)
(Incorporated in Malaysia)

No. of ordinary shares held	CDS Account No.

I/We _____ NRIC No./Co. No./CDS No. : _____
(Full Name in Block Letters)

of _____
(Full Address)

being a member/members of **MAA GROUP BERHAD** hereby appoint * Chairman of the meeting or

_____ of _____ or failing him/her
(Name of Proxy, NRIC No.) (Full Address)

_____ of _____ as *my/our proxy
(Name of Proxy, NRIC No.) (Full Address)

to vote for *me/us and on *my/our behalf at the **19th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 25 May 2017 at 3.00 p.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of 19th AGM. My/our proxy is to vote as indicated below:-

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
Resolution 1	To approve the payment of Directors' fees amounting to RM326,400 for the period from 1 July 2017 to 30 June 2018 to be payable quarterly in arrears to the Non-Executive Directors of the Company and its subsidiary.				
Resolution 2	To approve an amount of up to RM350,000 as benefits payable to the Non-Executive Directors of the Company and its subsidiary for the period from 1 June 2017 until the conclusion of the next AGM of the Company.				
	To re-elect the following Directors of the Company who are retiring pursuant to Article 113(1) of the Company's Articles of Association:-				
Resolution 3	(i) Datuk Muhamad Umar Swift				
Resolution 4	(ii) Tan Sri Ahmad bin Mohd Don				
Resolution 5	(iii) Mr Onn Kien Hoe				
Resolution 6	To re-appoint Tan Sri Datuk Seri Razman Md Hashim as Independent Non-Executive Director of the Company.				
Resolution 7	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.				
Resolution 8	Approval for Tan Sri Datuk Seri Razman Md Hashim to continue in office as Independent Non-Executive Director.				
Resolution 9	Approval for Tan Sri Ahmad bin Mohd Don to continue in office as Independent Non-Executive Director.				
Resolution 10	To approve the Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions.				
Resolution 11	To approve the Proposed Renewal of Share Buy-Back Authority.				
Resolution 12	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.				

(Please indicate with a "✓" or "X" in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of shares	Percentage
First proxy		%
Second proxy		%
Total		100%

Dated this _____ day of _____ 2017

Signature of Shareholder(s)/Common Seal

NOTES :-

- Applicable to shares held through a nominee account.
- A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
- Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- Any alteration in the form of proxy must be initialled.
- Form of Proxy sent through facsimile transmission shall not be accepted.
- For the purpose of determining a member who shall be entitled to attend this 19th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

***Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit)**

Fold here

STAMP

The Secretary
MAA GROUP BERHAD
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

Fold here

NOTICE

There will be no distribution of door gifts



MAA GROUP BERHAD

(471403-A)

13th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, Malaysia.

Tel: 03-6256 8000 Fax: 03-6251 0373

www.maa.my